

63-→01€ FINANCIAL STATEMENTS

JUNE 30, 2004

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#### Independent Auditor's Report

To the Honorable Mayor and Members of the City Council of the City of Berkley, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Berkley, Michigan as of June 30, 2004, and for the year then ended which collectively comprise the City's basic financial statements as listed in the table of contents. These statements are the responsibility of the City of Berkley, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Berkley, Michigan as of June 30, 2004, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

# **DOEREN MAYHEW**

The management's discussion and analysis and budgetary comparison information on pages 3 through 14, 54 through 59 and 62 through 78 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City of Berkley, Michigan's basic financial statements. The combining fund financial statements listed as supplemental financial information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Berkley, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2004 on our consideration of the City of Berkley, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

DOEREN MAYHEW

Docren Mayhow

November 10, 2004 Troy, Michigan

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Berkley's (the "City") management's discussion and analysis is designed to (a) assist the reader in focusing on the significant financial issues, (b) provide an overview of the financial activities for the fiscal year ended June 30, 2004, (c) identify changes in the City's financial position (its ability to address the next year and subsequent year challenges), (d) identify any material deviations from the approved budget, and (e) identify individual fund issues or concerns. Since the management's discussion and analysis (MD & A) is designed to focus on the current year's activities, resulting changes, and known facts, readers are encouraged to consider the information presented here in conjunction with the City's financial statements, which follows this section.

#### Financial Highlights

- Assets of the City exceeded its liabilities at the end of the current fiscal year by \$12,354,995 (net assets), an increase of \$9,888,005 from the previous year.
- Of the \$12,354,995 reported in net assets, \$6,683,588 may be used to meet the ongoing obligations to citizens and creditors (unrestricted net assets), and \$5,021,416 is invested in capital assets.
- At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$4,757,072, an increase of \$883,010 from the previous year. Of this fund balance, approximately 74 percent or \$3,514,625 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unreserved undesignated fund balance for the General Fund was \$679,320 or 9.3% of the total General Fund expenditures.
- The Proprietary Funds reported net assets at June 30, 2004 of \$5,674,454, an increase of \$717,794 from the previous year.
- The City's long-term debt during the current fiscal year totaled \$10,781,240, a decrease of 6.3%, which represents payments of \$725,129.

#### Overview of the Financial Statements

This discussion and analysis is an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow users to address relevant questions, broaden a basis for comparison (interperiod or intergovernmental) and enhance the City's accountability. This report also contains supplementary information in addition to the basic financial statements which further explains and supports the information presented in these statements.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. The statement of net assets and the statement of activities are designed to be corporate-like in that all the governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. These statements should help the reader to answer the question: Is the City as a whole, better off or worse off as a result of this year's activities. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are recognized regardless of when cash is received or paid.

The focus of the statement of net assets is designed to be similar to the bottom line results for the City and its governmental and business-type activities. The statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations (total economic resources). The statement presents all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets may indicate whether the City's financial position is improving or deteriorating. However, in order to assess the overall health of the City, non-financial factors such as the City's property tax base and condition of the City's infrastructure may also need to be considered.

The statement of activities is focused on both the gross and net cost of the various activities (governmental and business-type) which are supported by the City's general tax and other revenues. The presentation is intended to summarize and simplify the user's analysis of the cost of the various governmental services and/or the subsidy to various business-type activities. This statement shows how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying events occur, regardless of the timing related to cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

# Both statements report three activities:

- 1. Government Activities: Most of the City's basic services (public safety, public works, library, recreation, etc.) are reported under this category. Taxes and intergovernmental revenues generally fund these services. The City's governmental activities include legislative, judicial, general government, public safety, public works, health and welfare, and recreation and culture.
- 2. *Business-Type Activities*: The City charges fees to customers to help cover all or most of the cost of certain services it provides. The City operates two business-type activities that reflect private sector types operations: Water and Arena services.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### Government-Wide Financial Statements - Continued

3. Discretely Presented Component Units: Component units are legally separate organizations over which the City (the City Council, acting as a group) can exercise influence and/or for which the City is financially accountable. The City has one component unit: the 45-A District Court financial information for this component unit is presented separately from that of the primary government. The focus of the statements is clearly on the primary government; however, the presentation allows the user to address the relative relationship with the component unit.

#### **Fund Financial Statements**

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. These statements provide more detailed information about the City's most significant funds (Major Funds), not the City as a whole. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to maintain control over resources that have been segregated for specific activities and objectives. In addition to major funds, the City presents individual fund data for nonmajor funds in the supplementary information section. All of the funds of the City can be divided in three categories: governmental, proprietary, and fiduciary. Each category uses different accounting approaches.

#### Governmental Funds:

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund statements are presented on a modified accrual basis, which focuses on the near-term sources and uses of available resources. This is the manner in which the budget is typically developed. The City establishes Funds for various purposes; and the Fund Financial Statements allow the demonstration of sources and uses and/or budgetary compliance associated therewith. Governmental Funds include the General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds.

The focus of Governmental Funds (current financial resources) is narrower than that of the government-wide financial statements (total economic resources). Therefore, the reader may better understand the long-term impact of the City's near-term financing decision by comparing information presented for governmental funds with the information presented for the governmental activities in the government-wide financial statements. Both the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balance provide reconciliation to facilitate this comparison.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### **Fund Financial Statements**

#### **Proprietary Funds:**

- Proprietary Funds are used to account for services provided by the City where the City charges customers (whether external or internal) for the services it provides. These funds use accrual accounting; the same method used by private sector businesses. The City maintains two different types of Proprietary Funds: Enterprise and Internal Service. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Arena services. Internal Service Funds are used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its compensated absences. Because this service predominantly benefits governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.
- Fiduciary Funds:
- Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. While these funds represent trust responsibilities of the City, these assets are restricted in purpose and do not represent discretionary assets of the City. Therefore, these assets are not reflected in the government-wide financial statements. The City acts as a trustee or fiduciary for its public safety pension plan. Its responsibility as trustee/agent for the pension plan is to collect tax payments and ensure that assets reported in this fund are used for their intended purpose. The City's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These funds are reported using accrual accounting.

#### Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in government-wide and fund financial statements.

#### Additional Supplementary Information

Following the basic financial statements is additional required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes budgetary comparison schedules.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### **Nonmajor Governmental Funds**

Following the required supplementary information is combining financial statements for Nonmajor Governmental Funds. These funds are added together and presented in a single column in the basic financial statements, but are not reported individually, as with major funds, on the governmental fund financial statements. This section also includes budgetary comparison schedules for these funds.

#### Financial Analysis of the Government as a Whole

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the City's case, assets exceeded its liabilities at the end of the current fiscal year by \$12,354,995. However, an overwhelming portion of the City's net assets represents its investment in capital assets (land, roads, storm sewers, water and sewer systems, buildings, and equipment) less any related debt used to acquire or construct these assets that is still outstanding. The City uses these capital assets to provide essential services to citizens; therefore, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

City of	Berkle <sup>*</sup>	V,	Michigan	's	Ne	t Assets

		2004	
	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 6,615,900	\$ 2,830,185	\$ 9,446,085
Capital assets, net of accumulated depreciation	12,707,756	3,094,840	15,802,596
Total assets	19,323,656	5,925,025	25,248,681
Long-term liabilities	9,759,452	-	9,759,452
Other liabilities	2,883,663	250,571	3,134,234
Total liabilities	12,643,115	250,571	12,893,686
Net Assets			
Invested in capital, net of related debt	1,926,576	3,094,840	5,021,416
Restricted	649,991	-	649,991
Unrestricted	4,103,974	2,579,614	6,683,588
Total net assets	\$ 6,680,541	\$ 5,674,454	<b>\$</b> 12,354,995

Except for \$649,991 restricted for debt service and capital projects, the City may use the remaining balance of unrestricted net assets of \$4,103,974 to meet its ongoing obligations to citizens and creditors.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

# Financial Analysis of the Government as a Whole - Continued

City of Berkley, Michigan's Net Assets - Continued

		2003	
	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 5,183,160	\$ 2,518,545	\$ 7,701,705
Capital assets, net of accumulated depreciation	5,060,716	2,771,800	7,832,516
Total assets	10,243,876	5,290,345	15,534,221
Long-term liabilities	10,768,752	-	10,768,752
Other liabilities	1,964,794	333,685	2,298,479
Total liabilities	12,733,546	333,685	13,067,231
Net Assets			
Invested in capital, net of related debt	1,035,547	2,771,800	3,807,347
Restricted	508,565	- -	508,565
Unrestricted	(4,033,782)	2,184,860	(1,848,922)
Total net assets	<u>\$ (2,489,670)</u>	\$ 4,956,660	\$ 2,466,990

# MANAGEMENT'S DISCUSSION AND ANALYSIS

# Financial Analysis of the Government as a Whole - Continued

City of Berkley, Michigan's Change in Net Assets

_					2004		
<b>,</b>			vernmental Activities		siness-Type Activities		Total
, mark	Revenues						
	Program revenues						
	Charges for services	\$	1,885,257	\$	4,213,873	\$	6,099,130
-	Operating grants		1,082,052		· -		1,082,052
	General revenues						, ,
	Taxes		5,974,109		-		5,974,109
-	State sources		1,535,451		-		1,535,451
	Sale of fixed assets		(15,233)		-		(15,233)
	Interest and investment earnings		74,689		17,014		91,703
	Transfers		221,378		(218,078)		3,300
	Other		1,354,392		70,324		1,424,716
-	Total revenues		12,112,095		4,083,133		16,195,228
	Expenses						
	Legislative		5,276		_		5,276
_	Judicial		517,840		_		517,840
	General government		2,318,668		-		2,318,668
	Public safety		3,352,287		_		3,352,287
	Public works		2,208,936		_		2,208,936
,	Health and welfare		98,064		-		98,064
	Recreation and culture		1,188,113		_		1,188,113
	Unallocated depreciation		431,973		_		431,973
part.	Debt service		358,608		<del>-</del>		358,608
	Water		-		2,902,972		2,902,972
	Arena		-		462,367		462,367
-			<del></del>	***			
	Total expenses		10,479,765		3,365,339		13,845,104
-	Increase in Net Assets		1,632,330		717,794		2,350,124
	Net Assets - July 1, 2003		(2,489,670)		4,956,660		2,466,990
7500	Adjustment		7,537,881				7,537,881
<b>jjima</b>	Net Assets - June 30, 2004	<u>\$</u>	6,680,541	<u>\$</u>	5,674,454	<u>\$</u>	12,354,995

# MANAGEMENT'S DISCUSSION AND ANALYSIS

# Financial Analysis of the Government as a Whole - Continued

City of Berkley's Change in Net Assets - Continued

					2003		
			vernmental		iness-Type		
		-	<u>Activities</u>	<i>P</i>	Activities		Total
-	Revenues						
	Program revenues						
	Charges for services	\$	1,993,003	\$	4,421,017	\$	6,414,020
	Operating grants	•	1,073,173	*	-	Ψ	1,073,173
	Capital grants		357,105		_		357,105
	General revenues		001,200				337,103
	Taxes		5,737,493		-		5,737,493
1	State sources		1,631,580		_		1,631,580
	Sale of fixed assets		35,517		-		35,517
	Interest and investment earnings		115,514		24,594		140,108
<b>Harm</b>	Transfers		182,165		(182,165)		-
	Other		511,390		255		511,645
							<u> </u>
-	Total revenues		11,636,940		4,263,701		15,900,641
	Expenses						
	Legislative		5,642		. <u>-</u>		5,642
	Judicial		526,102		-		526,102
	General government		1,607,625		_		1,607,625
	Public safety		3,301,044		_		3,301,044
	Public works		2,105,479		-		2,105,479
	Health and welfare		206,257		_		206,257
	Recreation and culture		1,384,952		-		1,384,952
-	Unallocated depreciation		404,630		-		404,630
	Debt service		325,926		-		325,926
	Water		<b>-</b>		2,921,021		2,921,021
	Arena		-		459,622		459,622
	Total expenses		9,867,657		3,380,643	_	13,248,300
	Increase in Net Assets		1,769,283		883,058		2,652,341
	Net Assets - July 1, 2002		(4,258,953)		4,073,602		(185,351)
	Net Assets - June 30, 2003	<u>\$</u>	(2,489,670)	<u>\$</u>	4,956,660	<u>\$</u>	2,466,990

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

# Financial Analysis of the Government as a Whole - Continued

Governmental Activities:

- Governmental activities increased the City's net assets by \$1,632,330 in 2004, thereby accounting for 69 percent of the total growth in the net assets of the City. Key factors of this increase are as follows:
  - Taxes increased by \$236,616 (4 percent) and State Revenue Sharing decreased by 6 percent (\$96,129). State revenue sharing decreased as an executive order was issued by Governor Granholm to cut revenues that pass through to local governments, in an effort to balance the State's budget. In addition, the finalization of various liabilities during the year ended June 30, 2004, resulted in an increase in revenues and net assets. Also, the City has expanded the services it provides to surrounding communities in the areas of animal control and dispatch. Total expenses increased by 6 percent. Employee benefits are the main culprit here. Computers and the required software were also purchased. The City strives to maintain the level of core services its residents expect as effectively and efficiently as possible.

#### Business-Type Activities:

- Business-Type activities increased the City's net assets by \$717,794 in 2004, accounting for the remaining 31 percent of the total growth in the City's net assets. Key factors of this increase are as follows:
  - Operating revenues decreased by 5 percent and operating expenditures decreased by .1 percent. The Water Fund received approximately \$76,000 as a transfer from the 1972 Pollution Control Debt Service Fund. The reason behind the transfer was to close out this debt service fund as the bonds have been paid off and the Water Fund was responsible for the payment of debt throughout the years.

# Financial Analysis of the City's Funds

As the City completed the current year, its governmental funds reported combined fund balances of \$4,757,072. Of this total amount, \$3,514,625 (74 percent) is unreserved fund balance, which is available for appropriations for the general purpose of the funds. The remainder of the fund balance is reserved and is not available for new spending because it has already been dedicated for various commitments.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Analysis of the City's Funds - Continued

General Fund

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance was \$679,320 and reserved fund balance totaled \$588,509. Total fund balance increased by \$585,713 during the fiscal year primarily as the result of miscellaneous income recorded for the finalization of various liabilities at year-end, expanding services provided to surrounding communities and lower than budgeted expenditures in the areas of public safety and recreation.
- The differences between the original budget and the final amended budget for revenue and expenditures in 2004 were relatively minor (\$43,488 or .57 percent increase and \$43,488 or .55 percent increase, respectively). Actual revenues received were \$622,008 or 8.1 percent higher than budgeted and expenditures were \$690,890 or 8.7 less than the budgeted amount. The City was fortunate enough to receive some one time revenues as stated earlier and did not have to use the budgeted reappropriation of \$240,000. A contingency of approximately \$500,000 was also budgeted in the event State Revenue Sharing was drastically cut. This did not occur and the result has strengthened the position of the General Fund. The fund balance continues to build and is currently at 15.3 percent of revenues.

#### Capital Assets and Debt Administration

**C**apital Assets:

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2004 amounts to \$15,802,596 (net of accumulated depreciation). This investment includes a broad range of capital assets, which are detailed in the table below.

Not Capital Access at Voar End

			2004		
		vernmental activities	ness-Type ctivities		tal Primary overnment
Capital assets not depreciated:					
Land	\$	219,974	\$ 13,795	\$	233,769
Capital assets being depreciated:			,	•	,
Infrastructure		1,500,253	2,198,123		3,698,376
Buildings and improvements		2,695,402	617,888		3,313,290
Equipment		430,448	265,034		695,482
Vehicles		323,798	-		323,798
Construction-in-progress		7,537,881	 -		7,537,881
Net capital assets	<u>\$</u>	12,707,756	\$ 3,094,840	\$	15,802,596

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#### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### Capital Assets and Debt Administration - Continued

Capital Assets - Continued:

Net Capital Assets at Year End - Continued

					2003		
-			vernmental Activities		iness-Type Activities		tal Primary overnment
	Capital assets not depreciated:						
	Land	\$	219,974	\$	13 <i>,</i> 795	\$	233,769
	Capital assets being depreciated:		•	•	,	•	400,100
	Infrastructure		1,442,646		1,771,564		3,214,210
	Buildings		2,711,993		678,310		3,390,303
	Equipment		342,998		308,131		651,129
	Vehicles		343,105				343,105
(Comp.	Net capital assets	<u>\$</u>	5,060,716	<u>\$</u>	2,771,800	<u>\$</u>	7,832,516

- Additional information regarding the City's capital assets can be located in Note 6 of the basic financial statements and in other supplementary information.
- **L**ong-Term Debt:
- At the end of the current fiscal year, the City had total long-term bonds and notes outstanding of \$10,781,240. No new debt agreements were entered into during fiscal year 2003-2004. The City maintains an "AAA" rating from Standard & Poor's and "Aaa" from Moody's for its general obligation debt.
- State statues limit the amount of general obligation debt the City can issue to 10 percent of its total state equalized assessed value of property. The City's total general obligation debt (\$2,107,666) is significantly lower than the current state-imposed limit of \$43,214,844.
- Other long-term obligations totaling \$8,673,574 represent a streetscape note payable (\$1,250,000) and George W. Kuhn Bonds with the Oakland County Drain Commission (\$7,423,574). Additional information is presented in Note 7 to the basic financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

#### **Economic Condition and Outlook**

There are several economic factors that challenge the City. These items include revenue sharing, health insurance, pension costs, and state laws limiting the growth in property taxes.

The Headlee Amendment and Proposal A both limit growth of property tax revenue to the rate of inflation. The Headlee Amendment of 1978 requires a rollback of the overall millage rate if total property values grow at a rate higher than inflation. Proposal A passed in 1994 limits increases in individual property tax assessments to the rate of inflation or 5% whichever is lower. The combination of these two laws restricts Berkley's tax revenue as we are an older residential community with little land for development. Any future growth will be from redevelopment. Because property taxes are the primary source of the City's revenue, efforts to promote redevelopment are crucial.

The decline in the U.S. economy has had an impact at both the State and Local level. Although the City's tax revenues are primarily derived from property taxes, the revenue sharing the City receives from the State is derived from sales and income taxes. Therefore, the declining revenues of the State have meant a reduction of revenue shared with the City. The forecasted reductions were considered in preparing the City's budget for the fiscal year 2004-2005.

During the current fiscal year, the fund balance in the General Fund increased to \$1,267,829 (an increase of \$585,713). While revenues are anticipated to stay constant, budgeted expenditures for the General Fund are expected to rise nearly 2 percent to approximately \$7,400,000 from actual 2004 expenditures. The largest increments are increases in wages and health insurance costs. It is the goal of the City to maintain a fund balance that equates to 15% of its total revenues.

# Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances to its citizens, customers, investors, and creditors and to demonstrate the City's accountability for the money it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to the following:

Finance Director City of Berkley 3338 Coolidge Highway Berkley, Michigan 48072-2428

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# STATEMENT OF NET ASSETS JUNE 30, 2004

			Primar	Primary Government			Compon	Component Unit		Total
	Ů	Governmental Activities	Bus	Business-Type Activities		Total	45-A L Co	45-A District Court		Reporting Entity
Assets										
Cash and investments (note 4)	49	5,444,968	<del>u</del> f	1 781 002	¥	7 225 970	¥	53 202	¥	676 056 5
Receivables			•		<b>,</b>	01/1077	<del>&gt;</del>	76700	6	707'6/7'/
Accounts		252,512		1,554,262		1,806,774				1 806 774
Taxes		61,419		, <b>'</b>		61.419		,		61 /19
Internal balances		505,079		(505.079)		-				01,417
Inventories		12,778				12.778		•		12 778
Prepaid expenses		339,144		•		339.144		,		330 144
Capital assets - less accumulated depreciation (note 6)	ł	12,707,756		3,094,840		15,802,596				15,802,596
Total assets		19,323,656		5,925,025		25,248,681		53,292		25,301,973
Liabilities										
Accounts payable		432,835		245,566		678,401		8,524		686.925
Accrued liabilities		415,451		5,005		420,456		3,586		424,042
Due to other governmental units		•		•		•		41,182		41,182
Compensated absences		1,013,589		•		1,013,589		•		1,013,589
Bonds and notes payable - current portion (note 7)		1,021,788		1		1,021,788		,		1,021,788
Long-term nabilities (note 7)										
bonds and notes payable		9,759,452		1		9,759,452		,	İ	9,759,452
Total liabilities		12,643,115		250,571		12,893,686		53,292		12,946,978
Net Assets										
Investment in capital assets - net of related debt Restricted for		1,926,576		3,094,840		5,021,416		•		5,021,416
Debt service		561,506		•		561,506				561.506
Capital projects		88,485		•		88,485		1		88.485
Unrestricted		4,103,974		2,579,614		6,683,588		,		6,683,588
Total net assets	<del>s</del>	6,680,541	₩.	5,674,454	<del>\$</del>	12,354,995	<del>\$</del>	,	↔	12,354,995

# STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004

		Program	n Revenues	_	Net (Expense	Revenue and Chang	es in Net Assets			
			Operating	- Capital	•	Primary Governmen		Component Unit		
Eronatiana/Do		Charges for	Grants and	Grant and	Governmental	Business-Type		45-A District	Total	
Functions/Programs	Expenses	Services	Contributions	Contributions	Activities	Activities	Total	Court	Reporting Entity	
Primary Government									Littly	
Governmental activities										
Legislative	\$ 5,276	\$ -	\$ -	\$ -						
Judicial	517,840	722,932	47,275	Ф -	\$ (5,276)	\$ -	\$ (5,276)	\$ -	\$ (5,276	
General government	2,318,668	443,257	•	-	252,367	-	252,367	-	252,36	
Public safety	3,352,287	144,174	29,570	-	(1,845,841)	-	(1,845,841)	-	(1,845,84	
Public works	2,208,936	•	3,891	-	(3,204,222)	-	(3,204,222)	-	(3,204,22	
Health and welfare		190,463	949,389	•	(1,069,084)	-	(1,069,084)	-	(1,069,08	
Recreation and culture	98,064	12,030	38,397	-	(47,637)	-	(47,637)	_	(47,63)	
Unallocated depreciation	1,188,113	372,401	13,530	-	(802,182)	-	(802,182)			
Debt service	431,973	-	-	-	(431,973)	-	(431,973)	-	(802,18	
					( <b>/</b>		(431,973)	-	(431,973	
Interest and fiscal agent fees	358,608			<del></del>	(358,608)		(358,608)		(358,608	
Total governmental activities	10,479,765	1,885,257	1,082,052	-	(7,512,456)	_	(7,512,456)			
Business-type activities					( , , , , , , , , , , , , , , , , , , ,		(7,512,450)	-	(7,512,456	
Water	2,902,972	2 555 110								
Arena		3,777,112	-	•	-	874,140	874,140	_	874,140	
	462,367	436,761				(25,606)	(25,606)	_	(25,606	
Total business-type activities	3,365,339	4,213,873			-	848,534	848,534			
Total primary government	\$ 13,845,104	\$ 6,099,130	\$ 1,082,052	\$ -	(7,512,456)	848,534			848,534	
Component Unit					(*,**=,*200)	020,002	(6,663,922)	-	(6,663,922)	
45-A District Court	<b>6</b> 514 540									
3322	\$ 514,540	\$ 517,840	<u>\$</u>	<u>\$</u>		-	_	3,300	3,300	
		General revenues as	nd transform					3,500	3,300	
		Taxes	nd transiers							
			1							
		Property taxe	es, levied for general p	ourposes	5,230,749	-	5,230,749	-	5,230,749	
		Property taxe	es, levied for debt pur	poses	674,459	-	674,459	_	674,459	
			l interest for delinque	nt taxes	68,901	-	68,901	_	68,901	
		State sources			1,535,451	_	1,535,451	•	•	
		Sale of fixed asse			(15,233)	_	(15,233)	•	1,535,451	
		Interest and inve	stment earnings		74,689	17,014	91,703	•	(15,233)	
		Transfers	-		221,378	(218,078)		-	91,703	
		Other			1,354,392		3,300	(3,300)	-	
		Total gene	eral revenues and tran			70,324	1,424,716	<del></del> -	1,424,716	
				isiers	9,144,786	(130,740)	9,014,046	(3,300)	9,010,746	
		Change in Net Asse	ts		1,632,330	717,794	2,350,124	-	2,350,124	
		Net Assets - July 1,	2003		(2,489,670)	4,956,660	2,466,990	-	2,466,990	
		Adjustment (note 2)			7,537,881	-	7,537,881			
		Net Assets - June 30,	, 2004			£ 5,474,454		<del></del>	7,537,881	
		,			\$ 6,680,541	\$ 5,674,454	\$ 12,354,995	\$ -	12,354,995	

# COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2004

#### ASSETS

	_	Major I			r Funds				Other Nonmajor		Total	
		General Fund		Major treet Fund	Local Street Fund		Solid Waste Service Fund		Governmental		Governmental	
Assets  Cash and investments	<u> </u>	1,203,124								Funds		Funds
Receivables	J.	1,203,124	\$	1,137,885	\$	838,102	\$	264,217	\$	988,051	\$	4,431,379
Accounts receivable  Due from other funds		252,512		-		-		-		-		252,512
Taxes		_		-		-		-		505,079		505,079
Inventories		61,419		-		-		-		-		61,419
Prepaid items		12,778 335,197		-		-		•		-		12,778
		333,197								3,947		339,144
Total assets	<u>\$</u>	1,865,030	<u>\$</u>	1,137,885	\$	838,102	\$	264,217	\$	1,497,077	\$	5,602,311
	LIABILITIES AI	ND FUND BAL	ANCE									
Liabilities												
Accounts payables	\$	259,758	\$	5,686	\$	4,331	\$	133,319	\$	20 544		
Accrued liabilities		337,443	•	1,079	Ψ	1,107	Ą	303	<b>3</b>	29,741 72,472	\$	432,835 412,404
Total liabilities		597,201		6,765		5,438		133,622		102,213	_	845,239
Fund Balance										,		013,237
Reserved												
Inventory and prepaid items		347,975										
Public safety		38,022		-		-		-		3,947		351,922
Recreation and culture Unreserved		202,512		-		-		-		-		38,022 202,512
Designated for capital projects funds												202,312
Designated for debt service		-		-		-		•		88,485		88,485
Undesignated		-				-		-		561,506		561,506
		679,320		1,131,120		832,664		130,595		740,926		3,514,625
Total fund balance		1,267,829		1,131,120		832,664		130,595		1,394,864		4,757,072
Total liabilities and fund balance	<u>\$</u>	1,865,030	\$	1,137,885	\$	838,102	\$	264,217	\$	1,497,077	\$	5,602,311

# RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2004

ssets used in governmental activities are not		\$ 4,757,07
ncial resources and are not reported in the		
ls. The assets consist of:		
Capital assets	58,594,716	
Less: accumulated depreciation	(45,886,960)	
	(±3,000,900)	
Total capital assets		12 <i>,</i> 707 <i>,</i> 756
taxes not collected within 60 days of the end of the		
nt period are classified as accrued liabilities and,		
fore, are not reported in the governmental funds		
venues. All revenues, both current and deferred,		
eported in the statement of net assets:		
Deferred property tax revenue		57,437
ı liabilities applicable to the City's governmental		
ties are not due and payable in the current period		
herefore, are not reported in the governmental		
. Interest on long-term debt is not accrued in the		
nmental funds, but rather is recognized as an		
diture when due. All liabilities, both current		
ing-term, are reported in the statement of		
sets:		
onds and notes payable	(10.791.240)	
ccrued interest on long-term debt	(10,781,240) (60,484)	(10.941.704)
	(00,101)	 (10,841,724)
Net assets of governmental activities		\$ 6,680,541

See accompanying notes to financial statements

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COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2004

				Major Funds						Total
		General	Maj			Local			Other Nonmajor Governmental	I otai Governmental
		Fund	Street	Street Fund		Street Fund		vice Fund	Funds	Funds
Revenues										
Property taxes	\$	4,179,520	\$		•					
Licenses and permits	•	282,695	.p	-	\$	-	\$	856,456	\$ 811 <i>,7</i> 95	\$ 5,847,771
Charges for services		344,230		15 (50		-		-	-	282,695
Intergovernmental		1,604,036		15,673				17 <b>4,79</b> 0	332,472	867,165
Fines and forfeitures		759,226	•	701,045		248,344		-	42,288	2,595,713
Investment earnings				-		-		-	-	759,226
Property and equipment rental		35,713		10,462		7,980		4,496	9,481	68,132
Interest and penalties		190,580		-		-		-	-	190,580
Miscellaneous		45,071		-		-		-		45,071
		870,145		886				1,658	312,656	1,185,345
Total revenues										1,100,040
		8,311,216	7	728,066		256,324		1,037,400	1,508,692	11,841,698
Expenditures									, ,	11,011,050
Current										
Legislative										
Judicial		5,276		-		-		_	_	5,276
General government		517,840		-		-			_	517,840
Public safety		1,527,629		-		-		_	285,739	•
Public works		3,350,230		-		_		_	2,057	1,813,368
Health and welfare		398,999	3	81,126		339,692		1,089,119	2,007	3,352,287
Recreation and culture		45,040		-		,		1,007,117		2,208,936
Debt service		934,576		_		-		-	53,024	98,064
						-		-	253,537	1,188,113
Principal retirement		27,503		_		_				
Interest and other charges		38,450				-		-	697,626	725,129
Capital outlay		423,375		-		-		-	325,845	364,295
The state of the s	·	123,373		<u> </u>		<del></del>			132,990	556,365
Total expenditures		7,268,918	35	81,126		339,692				
Evene (Definion) (D	-	1/200/120		01,120		339,692		1,089,119	1,750,818	10,829,673
Excess (Deficiency) of Revenues Over (Under) Expenditures		1,042,298	34	46,940		(83,368)		(F1 <b>F</b> 10)		
Other Financing Sources (Uses)		7,	5.	10,710		(00,300)		(51,719)	(242,126)	1,012,025
Operating Sources (Uses)										
Operating transfers - in		27,976		_		163,641				
Operating transfers - out		(484,561)	(16	63,641)				-	532,843	724,460
Total of the second	<u></u>	(101,001)		2,041)		<u> </u>			(205,273)	(853,475)
Total other financing sources (uses)		(456,585)	(16	(3,641)		162 641				
Frees (Deficiency) of Develope O	<del></del>	, ,,,,,,,		~,011)		163,641			327,570	(129,015)
Excess (Deficiency) of Revenues Over (Under) Expenditures									·	
and Other Financing Sources (Uses)		585,713	18	3,299		80,273		/E1 510\		
Fund Balance - July 1, 2003			10			00,273		(51,719)	85,444	883,010
* with Darante - July 1, 2003		682,116	94	7,821		752,391		102 214	1 200	
Fund Balance - June 30, 2004				/		, 24,271		182,314	1,309,420	3,874,062
June 30, 4004	<u>\$</u>	1,267,829	\$ 1.13	1,120	\$	832,664	¢	120 505	f 12045::	
						00Z/00Z	<u> </u>	130,595	\$ 1,394,864	<u>\$ 4,757,072</u>

# RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004

	Net change in fund balances - total governmental funds		\$	883,010
	Amounts reported for governmental activities in the statement of activities are different because:			
	Governmental funds report capital outlays as expenditures; in the			
-	statement of activities, these costs are allocated over their			
	estimated useful lives as depreciation. Expenditures for capital			
	assets	541,132		
-	Less: current year depreciation expense	(431,973)		
	Net effect of these differences in the treatment			
-	of capital outlays			109,159
	The Internal Service Fund is used by the City to charge the cost of			
	certain activities to individual funds. The assets and liabilities			
1000	of the Internal Service Fund are included in governmental			
	activities in the statement of net assets. The Internal Service			
	Fund net revenue (expense) is:			
-	· • /			
	Change in net assets			(148,092)
-	Property taxes not collected within 60 days of the end of the			
	current period are classified as accrued liabilities and,			
	therefore, are not reported in the governmental funds			
-	as revenues. All revenues, both current and deferred,			
	are reported in the statement of net assets:			
_	Deferred property tax revenue			57,437
	The issuance of long-term debt (e.g. bonds, leases) provides			
	current financial resources to governmental funds, while			
	the repayment of the principal of long-term debt consumes			
	the current financial resources of governmental funds.			
	Neither transaction, however, has any effect on net assets.			
	Accrued interest on long-term debt			
	Balance - July 1, 2003	66,171		
-	Balance - June 30, 2004	(60,484)		
	Principal payments	725,129		
	Net effect of these differences in the treatment			
	of long-term debt	_		730,816
	Change in net assets of governmental activities	·		1 622 220
-			Ψ	1,632,330

# COMBINING STATEMENT OF NET ASSETS - PROPRIETARY FUNDS JUNE 30, 2004

			ess-Type Activities			Governmental Activities		
	Arena Fund		Water Fund		Totals		Internal Service Fund	
Assets								
Current Assets								
Cash and cash equivalents	\$ 66,3	42 \$	1,714,660	œ.	1 701 000	_		
Accounts receivable	40,1		1,514,108	\$	1,781,002	\$	1,013,58	
	=0,1		1,514,108		1,554,262			
Total current assets	106,4	96	3,228,768		3,335,264		1,013,589	
Property, Plant and Equipment								
At cost, less accumulated								
depreciation of \$1,003,054								
for the Arena Fund and								
\$1,767,353 for the Water								
Fund	600,0	18	2,494,822		3,094,840			
Total assets	\$ 706,5	14 \$	5,723,590	\$	6,430,104	\$	1,013,589	
Liabilities								
Current Liabilities								
Accounts payable	\$ 4,3	94 \$	241,172	\$	245,566	\$		
Accrued liabilities	65	78	4,327	*	5,005	•		
Compensated absences	-		· •		-		1,013,589	
Due to other funds	505,03	79	-		505,079		-	
Total current liabilities	510,15	51	245,499		755,650		1,013,589	
Net Assets								
Invested in capital assets, net of								
related debt	600,01	.8	2,494,822		3,094,840			
Unrestricted	(403,65		2,983,269		2,579,614		-	
	(100)00	<del></del>	2,700,207		2,07 2,014			
Total net assets	196,36	<u></u>	5,478,091		5,674,454		-	
Total liabilities and								
net assets	\$ 706,51	4 \$	5,723,590	\$	6,430,104	\$	1,013,589	

# COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2004

				ss-Type Activities terprise Funds			C	Governmental Activities	
	-	Arena Fund		Water Fund		Totals		Internal Service Fund	
Revenues									
Charges for services	\$	436,761	\$	3,669,775	\$	4,106,536	\$	_	
Fines and forfeitures		-		107,337		107,337		_	
Investment income		971		16,043		17,014		6,55	
Property and equipment rental		21,676		44,956		66,632			
Miscellaneous		2,318		1,374		3,692		25	
Total revenues		461,726		3,839,485		4,301,211		6,81	
Expenses									
Arena operations		403,614		•		403,614			
Water and sewer operations		-		2,791,802		2,791,802		-	
Compensated absences				-		-		505,30	
Total expenses		403,614		2,791,802		3,195,416		505,30	
Earnings (Loss) Before Depreciation		58,112		1,047,683		1,105,795		(498,48	
Depreciation	-	58,753		111,170		169,923		-	
Net Earnings (Loss)		(641)		936,513		935,872		(498,48	
Other Financing Sources (Uses)									
Operating transfers - in		_		76,640		76,640		350,39	
Operating transfers - out		(56,521)		(238,197)		(294,718)		330,39	
Total other financing sources (uses)		(56,521)		(161,557)		(218,078)		350,39	
Change in Net Assets		(57,162)		774,956		717,794		(148,09)	
Net Assets - July 1, 2003		253,525		4,703,135		4,956,660		148,09	
Net Assets - June 30, 2004	\$	196,363	\$	5,478,091	\$	5,674,454	s		

# COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2004

				ness-Type Activitie nterprise Funds	es		•	Governmental Activities
		Arena Fund		Water Fund		Totals		Internal Service Fund
Cash Flows From Operating Activities:							_	Service Pullu
Receipts from customers	_							
Payments to suppliers for goods and services	\$	427,452	\$	3,679,284	\$	4,106,736	\$	-
Payments to supplies for goods and services  Payments to employees		(217,763)		(2,264,803)		(2,482,566)		-
ay ments to employees		(189,536)		(579,786)		(769,322)		(52,560
Net cash provided from (used in)								
operating activities		20,153		834,695		854,848		(52,560
Cash Flows from Noncapital Financing								, ,
Activities:								
Operating transfers - in								
Operating transfers - out		(5, 504)		76,640		76,640		350,393
		(56,521)		(238,197)		(294,718)	_	
Net cash provided from (used in)								
noncapital financing activities		(56,521)		(1/4 555)				
1		(30,321)		(161,557)		(218,078)		350,393
Cash Flows From Capital and Related								
Financing Activities:								
Acquisition of property, plant and equipment		-		(492,962)		(492,962)		
				(172)702)		(472,702)		-
Cash Flows From Investing Activities:								
Interest received		971		16,043		17,014		6,557
N-41 (D						11,011		0,337
Net Increase (Decrease) in Cash and								
Cash Equivalents		(35,397)		196,219		160,822		304,390
Cash and Cash Equivalents - July 1, 2003		101 7700						
		101,739		1,518,441		1,620,180		709,199
Cash and Cash Equivalents - June 30, 2004	\$	66,342	\$	1,714,660	\$	1,781,002	\$	1,013,589
Reconciliation of operating income (loss) to net cash								
provided from (used in) operating activities:								
Operating income (loss)	\$	(641)	\$	936,513	\$	935,872	\$	(498,485)
Adjustments to reconcile operating income (loss)								(,,
to net cash provided from (used in) operating								
activities:								
Depreciation		E0 752		444.450				
Interest income		58,753 (971)		111,170		169,923		-
Increase in receivables				(16,043)		(17,014)		(6,557)
Decrease in prepaid expenses		(33,439)		(119,237)		(152,676)		-
Increase (decrease) in accounts payable		2,429		5,953		5,953		-
Increase (decrease) in other liabilities		(5,978)		(87,988) 4,327		(85,559)		-
		(-,-,0)		4,52/		(1,651)		452,482
Total adjustments		20,794		(101,818)		(81,024)		445,925
let cash provided from (used in) operating activities	\$	20,153	\$	834 605	¢	954.046		
•		-0,100	Ψ	834,695	Þ	854,848	\$	(52,560)

# COMBINING STATEMENT OF NET ASSETS - FIDUCIARY FUNDS JUNE 30, 2004

	T	rust Fund	ublic Safety ension Fund		Totals
Assets					
Cash and cash equivalents Investments, at fair value	\$	255,936	\$ 902,203	\$	1,158,139
Government bonds		-	674,812		674,812
Corporate bonds		-	3,842,233		3,842,233
Bond mutual funds		_	606,543		606,543
Corporate stocks		-	 11,024,076		11,024,076
Total assets	\$	255,936	\$ 17,049,867	\$	17,305,803
Liabilities					
Deposits	\$	201,603	\$ -	\$	201,603
Due to other governmental units	· · · · · ·	54,333	 	Ψ	54,333
Total liabilities		255,936	-		255,936
Net Assets					
Held in trust for pension benefits			 17,049,867		17,049,867
Total liabilities and net assets	\$	255,936	\$ 17,049,867	\$	17,305,803

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# STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2004

Redi		Public Safety Pension Fund
-	Additions	
, pieres	Contributions Plan members	\$ 104,386
-	Investment earnings Net increase in fair value of investments Interest Dividends Miscellaneous	2,036,072 114,901 229,307 47,013
-	Total investment earnings	2,427,293
-	Less investment expense	145,931
	Net investment earnings	2,281,362
-	Total additions	2,385,748
	Deductions	
-	Benefits	984,655
_	Change in Net Assets	1,401,093
	Net Assets - July 1, 2003	15,648,774
	Net Assets - June 30, 2004	\$ 17,049,867

# NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

# Note 1 - Description of the City

The City of Berkley, Michigan was incorporated in 1932. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, culture and recreation, public improvements, planning and zoning, and general administrative services.

# Note 2 - Summary of Significant Accounting Policies

#### The Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Berkley (the primary government) and its component units for which the City is considered financially accountable. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

# 1. Blended Component Unit

The Building Authority is a legally separate entity created by the City. The Building Authority was formed under Act 31 of the State of Michigan Public acts of 1948. Act 31 is an act to provide for the establishment of the Building Authority; to acquire, furnish, equip, own, improve, enlarge, operate and maintain the ice arena and horseshoe pit, for the use or benefit of the City. The bonds are secured by a lease agreement with the City and will be retired through lease payments from the City.

# 2. Discretely Presented Component Unit

The component unit column in the statements of net assets and activities include the financial data of the City's one component unit. It is reported in a separate column to emphasize that they are legally separate from the City.

# NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

# Note 2 - Summary of Significant Accounting Policies - Continued

#### **45-A District Court**

The District Court of Berkley is an entity legally separate from the City. The District Court accounts for the collection and payment to the State of Michigan, Oakland County, and the City of Berkley, of fines and fees collected on their behalf. Bond and other trust money held by the Court are also accounted for. The City is financially accountable for the District Court and does not issue separate financial statements.

# **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is fiscally accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among revenues mentioned above are reported instead as general revenues.

Separate financial statements are provided for Governmental Funds, Proprietary Funds, and Fiduciary Funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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# NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

# Note 2 - Summary of Significant Accounting Policies - Continued

# Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Governmental funds expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

On the governmental funds statements, property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

• The *General Fund* is the government's primary operating fund. It accounts for all the resources traditionally associated with governments which are not required to be accounted for in another fund. Such expenditures are related to public safety, public works, recreation and culture, health and welfare, library, and general administration.

# NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

# Note 2 - Summary of Significant Accounting Policies - Continued

# Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

- The Major Street Fund accounts for the maintenance of all major streets. Financing
  is provided by special revenues from provisions of Act 51 of 1951 as amended.
- The *Local Street Fund* accounts for the maintenance of all local streets. Financing is provided by special revenues from provisions of Act 51 of 1951 as amended.
- The *Solid Waste Service Fund* accounts for the activities of the collection and disposal of household waste, recyclables, and yard waste. The fund is financed by a special tax levy.
- The *Recreation Revolving Fund* accounts for community enrichment activities held at the community center. Financing is provided primarily by activity fees.
- The *DDA-Tax Increment Fund* in conjunction with the Downtown Development Authority, promotes revitalization and economic growth in the downtown district. Financing is provided by capturing property tax revenue on increased property values in the designated area.
- The Building Authority Fund accounts for funds to finance the ice arena and horseshoe pit financed with bonds issued by the City of Berkley Building Authority.

# The City reports the following Major Proprietary Funds:

- The *Water Fund* accounts for the operation and maintenance of the water supply system, distribution, and billing. Financing is provided by user charges.
- The *Arena Fund* accounts for the operation and maintenance of the arena. Financing is provided primarily by rental fees.

# Additionally, the City reports the following fund types:

• The *Internal Service Fund* is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

# NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

# Note 2 - Summary of Significant Accounting Policies - Continued

# Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

- The *Expendable Trust Fund* accounts for assets where both the principal and interest may be spent.
- The *Public Safety Pension Fund* accounts for the accumulation of resources to be used for public safety retirement annuity payments at appropriate amounts and times in the future. Resources are contributed by current property taxes at amounts determined by an annual actuarial study.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements, exceptions to this general rule are payments inlieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and arena funds and the government's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as *nonoperating* revenues and expenses.

# NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

# Note 2 - Summary of Significant Accounting Policies - Continued

# Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

# **Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the supplementary information:

- By the last day of April, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the City Council to obtain taxpayer comments.
- No later than the last day of May, the budget is legally enacted through passage of a Council resolution.
- Formal budgetary integration is employed as a management control device during the year for all governmental funds.
- Budgets are adopted on a modified accrual basis consistent with generally accepted accounting principles.
- Budgetary control over expenditures is maintained on an activity level basis by department, which is the legal level of control for all funds. Administrative control is maintained through the establishment of more detailed line-item budgets.

#### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

#### Note 2 - Summary of Significant Accounting Policies - Continued

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

#### **Budgets and Budgetary Accounting - Continued**

- Budgets are adopted by the City Council at the activity level. The City Manager has the authority to transfer necessary amounts between activities within the same department of any fund and make any adjustments which do not affect the ending fund balance. Transfers between departments must be approved by the City Council.
- Supplemental appropriations for additional expenditures, which require an appropriation of available fund balance, must be approved by the City Council.
- Budgeted amounts are as originally adopted or as amended by the City Council during the year.
- Appropriations for continuing projects are incorporated in the budget of the ensuing year. The City reserves fund balances for these items.

#### Assets, Liabilities, and Net Assets or Equity

#### Cash and Cash Equivalents

The City considers cash on hand and demand deposits, and short-term investments with maturities of three months or less when purchased to be cash for the statement of cash flows.

#### **Investments**

Investments are reported at their fair value.

#### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

#### Note 2 - Summary of Significant Accounting Policies - Continued

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

#### Assets, Liabilities, and Net Assets or Equity - Continued

#### **Inventories and Prepaid Items**

Inventories are accounted for using the consumption method and are valued at cost (first-in, first-out).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### **Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, etc.), are reported in the applicable governmental or business-type activities columns of the government-wide financial statements. Capital assets are defined by the City as tangible property having a useful life in excess of three years and whose cost exceeds \$5,000.

All fixed assets are valued at historical cost or estimated historical cost where actual cost information is not available (i.e., infrastructure assets purchased or constructed prior to June 30, 2002). Donated fixed assets are recorded at their fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially increase the assets lives are not capitalized. Major outlays for capital assets are capitalized as projects are constructed.

#### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

#### Note 2 - Summary of Significant Accounting Policies - Continued

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

#### Assets, Liabilities, and Net Assets or Equity - Continued

#### **Capital Assets** - Continued

Depreciation of all exhaustible fixed assets used by the City is charged as an expense against its various functions. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

	<u> Years</u>
Infrastructure Water mains and laterals Buildings Other machinery and equipment	25 83 - 84 39 - 50
) and offerbricht	3 - 15

#### **Long-Term Obligations**

In the government-wide financial statements and proprietary fund financial statements, long-term debt, notes, and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund types statements of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as issuance costs during the current period. The face amount of debt is reported as other financing sources. Premiums and discounts are reported as other financing sources (uses) while issuance costs are reported as expenditures.

#### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

#### Note 2 - Summary of Significant Accounting Policies - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

#### Assets, Liabilities, and Net Assets or Equity - Continued

#### **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations from other governments. The adjustment to net assets represents a reclassification of \$7,537,881 for capital assets not previously included in governmental activities. This asset represents the City's portion of Kuhn Drain flowage rights.

#### Revenues, Expenditures and Expenses

#### **Property Taxes**

The City bills and collects its own property taxes. City property taxes attach as an enforceable lien on property as of July 1st. Taxes are levied on July 1st and are due without penalty on or before August 31st. Uncollected real property taxes as of March 1st are turned over by the City to Oakland County for collection. The County advances the City 100% of these delinquent taxes. Collection of delinquent personal property taxes as of March 1st remains the responsibility of the City Treasurer. Since all City property taxes levied are current receivables, tax revenues are recognized when levied. Taxes not collected within 60 days of year-end are classified as deferred revenues.

The City also acts as the billing and collection agent for Oakland County, State of Michigan, and the school districts within the City limits. Portions of the school district taxes are billed with the City taxes on the July 1st levy.

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#### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

#### Note 2 - Summary of Significant Accounting Policies - Continued

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

#### Revenues, Expenditures and Expenses - Continued

#### **Property Taxes - Continued**

The remainder of the school district taxes and all Oakland County taxes are billed on December 1st and are due without penalty on February 14th. Taxes collected on behalf of the school districts and the County are accounted for in designated agency funds. Uncollected school district and County real property taxes as of March 1st are also turned over to Oakland County for collection. The County advances payment for these taxes directly to the school districts.

The state taxable value of real and personal property totaled \$432,148,444. The tax levy for the year was based on the following rates:

	Millage Rate <u>Used</u>
General operating	
<u> </u>	6.670
Public safety	2.000
Sanitation	2.000
Debt service	1.575
Public safety pension	1.050
Community promotion	0.115

#### **Internal Balances**

During the course of normal operations the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and repay debt.

Charges for compensated absences are recognized as operating revenue by the Internal Service Fund. The various funds record these payments as expenditures/expenses.

#### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

#### Note 2 - Summary of Significant Accounting Policies - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

#### Revenues, Expenditures and Expenses - Continued

#### **Compensated Absences**

City employees are granted vacation and sick leave in varying amounts based on length of service. Merit system (non union) employees can accumulate 296 hours of vacation time. Upon termination, employees are paid for unused vacation at their current rates. Sick leave is accumulated at the rate of seven hours per month. Unused sick leave accumulates from year to year to an unlimited amount. Upon termination, employees are paid for their sick leave at their current rates according to the following:

Between 200 and 520 hours at 60% base wage rate

Between 520 and 840 hours at 80% base wage rate

It is the City's policy to recognize the cost of vacation and sick leave at the time the liability is incurred, including salary related payments. A liability for the entire amount of current and long-term is accrued in the government-wide and proprietary financial statements. In the fund financial statements, the current portion of the cost of vacation pay and sick leave is recorded in the appropriate government fund.

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#### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

#### Note 3 - Stewardship, Compliance, and Accountability

#### **Excess Expenditures Over Appropriations**

During the fiscal year ended June 30, 2004, the City incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated. Available revenues or fund balance funded the following expenditures in excess of budgeted amounts:

General Fund		
General governmen	nt \$	43,220
Public works		31,477
Community develo Capital outlay	pment	7,455
Capital Outlay		12,125
Drug Forfeiture Fund		
Public safety		0.055
Capital outlay		2,057 759
<b>-</b>		739
Loss Reserve Fund		
General governmen	ıt	285,339
Kuhn Drainage Bonds		•
Debt service		
2 GS C BET VICE		211,598
<b>Building Authority</b>		
Debt service		1.040
		1,043
12 Mile Capital Project	Fund	
Capital outlay		131,460
Library Capital Project		•
Capital outlay		
on pour outlay		529
Sidewalk Project Fund		
Capital outlay		242
		242

#### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

#### Note 4 - Cash and Investments

#### **Deposits**

Primary Government

At year-end, the carrying amount of the deposits was \$7,225,970 and the bank balance was \$7,724,441. Of the bank balance, \$100,000 was covered by Federal depository insurance and \$7,624,441 was uninsured.

Component Unit

At year-end, the carrying value of the component unit's deposits was \$53,292 and the bank balance was \$37,977. Of the bank balance, \$37,977 was covered by Federal depository insurance.

#### **Investments**

Statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services, bankers' acceptances of U.S. banks, United States government or federal agency obligation repurchase agreements, obligations of the State of Michigan or any of its political subdivisions rated as investment grade by not less than one standard rating service and mutual funds composed of the types of investment vehicles named previously. The Public Safety Pension is also authorized to invest in corporate stocks and bonds allowed by state law.

The City's assets are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured, registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name.

#### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

#### Note 4 - Cash and Investments - Continued

#### **Investments** - Continued

Investments in the Berkley Public Safety Retirement System are summarized as follows:

	<del></del>	Ca	Carrying	Fair		
	1		2	 3	_Amount	Value
Corporate stock Government bonds Corporate bonds Bond mutual funds	\$	- - 3,	.024,076 674,812 842,233 606,543	\$ - - -	\$11,024,076 674,812 3,842,233 606,543	\$11,024,076 674,812 3,842,233 606,543
Total investments	\$	<u>- \$16,</u>	147,664	\$ 	\$16,147,664	\$16.147.664

A reconciliation of the notes to the cash and investments shown on the financial statements at June 30, 2004 is as follows:

	Primary	Fiduciary	Component
	Government	Funds	Units
Cash and cash equivalents	\$ 7,225,970	\$ 1,158,139	\$ 53,292
Investments	———————	16,147,664	
	<u>\$ 7,225,970</u>	<u>\$ 17,305,803</u>	\$ 53,292

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

#### Note 5 - Interfund Receivables and Payables

Interfund receivables and payables at June 30, 2004 are:

		Rec	<u>eivables</u>	<u>Pa</u>	yables
_	Building Authority Fund	\$	505,079	\$	-
_	Arena Fund				505,079
	Total interfund receivables and payables	\$	505,079	\$	505,079

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#### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

#### Note 6 - Capital Assets

Capital asset activity of the primary government's Governmental and Business-Type Activities are as follows:

-			Balance lly 1, 2003			Additions Retires		<u>Ju</u>	Balance ne 30, 2004
,	Governmental Activities  Capital assets not depreciated								
	Land	\$	219,974	\$	-	\$	-	\$	219,974
	Capital assets being depreciated								,
	Infrastructure		42,049,922		117,365		-		42,167,287
	Buildings		6,022,502		88,996		-		6,111,498
	Equipment		1,127,412		242,906		(85,749)		1,284,569
-	Vehicles		1,181,642		91,865		-		1,273,507
	Construction-in-progress				7,537,881				<i>7,</i> 537,881
_	Totals at historical cost		50,601,452		8,079,013		(85,749)		58,594,716
	Less Accumulated Depreciation	for							
	Infrastructure		40,607,276		59,758		_		40,667,034
•	Buildings		3,310,509		105,587		_		3,416,096
	Equipment		784,414		155,456		(85,749)		854,121
	Vehicles		838,537		111,172		-		949,709
•	Total accumulated depreciation						( <b>7.5</b>		
_	depreciation		<u>45,540,736</u>		431,973		(85,749)		45,886,960
-	Total Governmental Activities Capital					•			
•	Assets, net	<u>\$</u>	5,060,716	<u>\$</u>	7,647,040	<u>\$</u>		\$	12 <u>,707,756</u>

Depreciation expense was not charged to governmental functions and is reported as an unallocated expense of \$431,973.

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

#### Note 6 - Capital Assets - Continued

	Balance _July 1, 2003	Additions	Retirements	Balance
<del>-</del>	1427 1/ 2000	<u> Muditions</u>	Retirements	June 30, 2004
<b>Business-Type Activities</b>				
Capital assets not depreciated				
<b>L</b> and	\$ 13,795	5 \$ -	\$ -	\$ 13,795
Capital assets being depreciated			•	Ψ 10,755
Infrastructure	2,856,029	492,963	(3,000)	3,345,992
Land improvements	36,474		(= /= = = ) <del>-</del>	36,474
Buildings	1,222,420	_	-	1,222,420
Building improvements	167,092	-	_	167,092
<b>E</b> quipment	1,131,333		(51,859)	1,079,474
_			/	
Totals at historical cost	5,427,143	492,963	(54,859)	5,865,247
T A			,	, ,
Less Accumulated Depreciation for				
Infrastructure	1,084,465		(2,500)	1,147,869
Land improvements	36,474		-	36,474
Buildings	609,996	53,357	-	663,353
Building improvements	101,206	7,065	-	108,271
Equipment	823,202	41,997	(50,759)	814,440
<b>-</b>			,	
Total accumulated				
depreciation	2,655,343	168,323	(53,259)	2,770,407
<u> </u>			,	
Total Business-Type				
Activities Capital				
Assets, net	<u>\$ 2,771,800</u>	<u>\$ 324,640</u>	\$ (1,600)	\$ 3,094,840
Depreciation expense was not cha	rged to busin	ess-type func	tions as follow	···
•	0	by portante	CLIOTED AD TOTTOW	٥.
Water				444.4
Arena			\$	-,
1 M CHQ				58,753
•				
Total depreciation ex	pense		\$	169,923
			₹.	

#### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

#### Note 7 - Long-Term Obligations

The following is a summary of individual issues comprising long-term obligations of the City at June 30, 2004 and the changes therein for the year then ended:

#### **Primary Government**

	Interest Rate		Balances ly 1, 2003	Additions		tions Deductions		Balances June 30, 2004
Governmental Activities								
1993 General Obligation Refunding Bonds	5.40%	\$	590,000	\$	-	\$	(300,000)	\$ 290,000
1995 Energy Conservation								
Project	5.95%		335,169		-		(27,503)	307,666
1996 General Obligation Library Bonds	4.40% - 4.70%		1,425,000		-		(300,000)	1,125,000
George W. Kuhn Bonds								
2000-A 2000-B 2001-C 2001-D 2001-E	2.50% 4.75% - 5.38% 2.50% 2.50% 4.00% - 5.25%		1,081,968 401,172 5,176,822 199,641 621,597		-		(45,030) (12,596) - - -	1,036,938 388,576 5,176,822 199,641 621,597
<b>Building Authority Bonds</b>	2.80% - 2.90%		415,000		-		(30,000)	385,000
Promissory Note	5.20%		1,260,000				(10,000)	1,250,000
<b>Total Government Activities</b>		<u>\$ 1</u>	1,506,369	<u>\$</u>		<u>\$</u>	(725,129)	\$ 10,781,240

The General Obligation Bond Issues are backed by the full faith and credit of the City. Current debt service requirements are funded by City property tax revenues and are maintained in various Debt Service Funds.

The City pays the current debt service requirements on the bonds issued by the Building Authority Fund. The City has pledged its limited full faith and credit on these bonds.

#### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

#### Note 7 - Long-Term Obligations - Continued

The annual requirements to pay principal and interest on the long-term bonds, notes, and contracts outstanding at June 30, 2004 are as follows:

<b></b>	Fiscal Year <u>Ending</u>	Primary Government Governmental Activities Principal Interest
-	2005 2006 2007 2008 2009 2010-2014 2015-2019 2020-2024	\$ 1,021,788 \$ 365,871 773,087 328,166 826,274 295,753 434,462 270,551 467,648 254,250 2,747,897 992,039 2,402,828 513,477 2,107,256 176,194
•		<u>\$ 10,781,240</u> <u>\$ 3,196,301</u>

The promissory note issued by the Downtown Development Authority Tax-Increment Fund was issued in anticipation of Tax Increment Revenues on taxable properties in the Development area. The City has pledged its limited full faith and credit on this promissory note.

The legal debt margin for general obligation bonds as of June 30, 2004 is \$41,107,178.

#### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

#### Note 8 - Changes in General Fund Reserves and Net Assets/Fund Balance

-			Balance 7/1/03	<u>A</u>	dditions	Red	ductions		Balance 6/30/04
<b>-</b> F	Reserved								
	Inventory and prepaid items	\$	153,465	\$	194,510	\$	-	\$	347,975
etent.	Public Safety		-		38,022		-	•	38,022
	Recreation and culture		-		202,512				202,512
-	Total reserved		153,465		435,044		-		588,509
Ŭ.	Inreserved		528,651		150,669				679,320
	Totals	<u>\$</u>	682,116	\$	585,713	\$	-	<u>\$</u>	1,267,829

#### Note 9 - Public Safety Pension Trust Fund

#### **Plan Description**

The City of Berkley Public Safety Retirement System is a single-employer defined benefit pension plan that covers the Public Safety Officers of the City of Berkley. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries.

Public Safety employees who retire with 25 or more years of service or age 60 regardless of service are entitled to annual retirement benefits, payable monthly for life, in an amount equal to 2.5% of their 3 year average final compensation (AFC) times the first 25 years of service plus 1% of AFC times years of service in excess of 25 years. Maximum benefit is 85% of "base" wage.

Membership of the plan consisted of the following at June 30, 2003, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	33
Active plan members	27
Total	60

#### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

#### Note 9 - Public Safety Pension Trust Fund - Continued

#### Significant Accounting Policies

Basis of Accounting

The Public Safety Retirement System reports using the accrual basis of accounting. Contributions from the City have been reflected when accrued and payments to members have been reflected when paid.

Method Used to Value Investments

Investments are reported at fair market value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Funding Policy

Public Safety members are required to contribute 0% of their gross pay to the plan.

The employer's funding policy provides for periodic employer contributions based upon a fundamental financial objective of having rates of contribution which remain relatively level from generation to generation of the City of Berkley citizens. To determine the employer contribution rates and to assess the extent to which the fundamental financial objective is being achieved, the System has actuarial valuations prepared annually. In preparing those valuations, the entry-age actuarial cost method is used to determine normal cost and actuarial liabilities.

#### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

#### Note 9 - Public Safety Pension Trust Fund - Continued

#### Significant Accounting Policies - Continued

Funding Policy - Continued

On the basis of the actuarial valuation at June 30, 2003, employer rates were determined to be as follows:

Percent

-		Co: Fo	of Active ntributions r Member Payroll
-	Normal cost Accrued liabilities		23.64% (8.52)%
_	Total employer rate  Legally required reserves are recorded as follows:		<u>15.12%</u>
_	Reserved for:		
-	Employees' contributions Retired benefits Employer contributions	\$	987,301 8,566,323 7,496,243

As of June 30, 2003, there are no investments constituting 5% of plan assets.

#### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

#### Note 9 - Public Safety Pension Trust Fund - Continued

#### **Annual Pension Costs**

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll are designated to accumulate sufficient assets to pay benefits when due.

The normal cost and actuarial accrued liability are determined using an individual entry age normal cost method. Unfunded actuarial accrued liabilities for pensions were amortized over a period of 20 future years. The City's annual pension cost is equal to the annual required contribution as reflected in the schedule of employer contributions which follows:

#### Concentrations

	Required Supplementary Information  Schedule of Funding Progress  (Dollar Amounts in Millions)													
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b)-(a)/(c)								
6/30/1998	16.1	13.2	(2.9)	122.0%	1.6									
6/30/1999	18.6	13.5	(5.1)	137.8%	1.6	-								
6/30/2000	21.1	14.1	(7.0)	149.6%	1.6 1.7	-								
6/30/2001	22.1	15.1	(7.0)	146.4%		-								
6/30/2002	21.4	16.4	(5.0)	130.5%	1.6	-								
6/30/2003	18.8	16.6	(2.2)	113.3%	1.7 1.6	-								

There were no changes in actuarial assumptions or methods during the year.

#### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

#### Note 9 - Public Safety Pension Trust Fund - Continued

#### **Annual Pension Costs** - Continued

2001

2002

2003

Year Ended June 30,	Annual Contribution Required	Percentage <u>Contributed</u>
1998	\$ 111,057	100%
1999	<del>-</del>	100%
2000	_	100%

100%

100%

100%

0%

**Schedule of Employer Contributions** 

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation is as follows:

251,931

Valuation Date	June 30, 2003
Actuarial Cost Method	Entry-Age
Amortization Method	Level percent
Remaining Amortization Period	20 years
Asset Valuation Method	4 year smoothed market
Actuarial Assumptions: Investment Rate of Return Projected Salary Increases * Payroll Growth	7.5% 5.0% - 9.0% 5.0%
* Includes wage inflation at	5.0%

#### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

#### Note 10 - Defined Benefit Pension Plan

#### Plan Description

The City's defined benefit plan, the Municipal Employees' Retirement System of Michigan (MERS) is an agent multiple-employer pension plan. The plan provides both retirement and death and disability benefits. Substantially all employees in the merit system and all employees of the Department of Public Works are covered under this plan. Public Act Number 220 of 1996 assigns the authority to establish and amend the benefit provisions of the MERS plan document. The MERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the Office of Retirement Services, Michigan State Employees' Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (989) 322-5103.

#### **Funding Policy**

The City is required to contribute at an actuarially determined rate: the current rate is 13.43% of covered annual payroll for general city employees and 24.63% for the Department of Public Works employees for the year beginning July 1, 2003. Each member contributes a percent of annual compensation, as selected by the municipality. Any percentage from 0% to 10% may be selected.

#### **Annual Pension Cost**

The City's annual pension cost of \$323,076 was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) a rate of return on investments of 8.0%, (b) projected salary increases of 4.5%, (c) additional projected salary increases ranging from 4.5% to 8.66% per year depending on age and attributable to seniority/merit, and (d) the assumption that benefits will not increase after retirement. The actuarial value of MERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four year period.

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#### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

#### Note 10 - Defined Benefit Pension Plan - Continued

#### **Annual Pension Cost** - Continued

#### Three Year Trend Information for MERS

Fiscal Year End		Annual Pension Cost		Percentage of APC <u>Contributed</u>					
2001 2002 2003		\$ 331,315 295,673 278,686		100% 100% 100%	4	- - -			
		Schedule o	of Funding Prog	ress					
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)			
2001 2002 2003	\$ 13,704,922 13,650,366 13,969,155	\$ 15,785,452 16,251,453 16,746,763	\$ 2,080,530 2,601,087 2,777,608	87% 84% 83%	\$ 2,423,753 2,126,998 2,007,763	86% 122% 138%			

#### **Postretirement Benefit Payments**

During the year, the City incurred on behalf of 87 retirees \$726,451 of postretirement benefits for health, dental and life insurance.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

#### Note 11 - Risk Management and Benefits

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Michigan Municipal Liability and Property Pool for claims relating to property liability and errors and omissions. The City's maximum deductible is \$75,000 per occurrence with an aggregate stop loss of \$200,000 per policy year. The City is insured for medical benefits provided to the employees and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage.

The shared risk pool program in which the City participates operates a common risk-sharing management program for municipalities in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Past personal property taxes collected may need to be refunded based upon ongoing litigation regarding personal property tax tables for utilities. The amounts received in excess of amounts due in accordance with revised tax tables may result in liabilities due to third parties for back taxes previously paid. This potential liability cannot be reasonably estimated at June 30, 2004.

Liabilities are established when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

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# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2004

Revenues Property taxes Licenses and permits Charges for services Intergovernmental	\$	4,250,200 307,000 297,900 1,619,000	\$ 4,250,200	\$ 4.450.500	
Licenses and permits Charges for services	\$	307,000 297,900	\$	\$ 4 450 500	
Charges for services		297,900	207 000	4,179,520	\$ (70,680)
			307,000	282,695	(24,305)
Intergovernmental		1 619 000	317,900	344,230	26,330
		1 610 000			,
State shared revenues		1,012,000	1,550,488	1,535,451	(15,037)
State grants		65,170	65,170	68,585	3,415
Fines and forfeitures		670,000	670,000	759,226	89,226
Investment earnings		56,000	40,000	35,713	(4,287)
Property and equipment rental		175,750	175,750	190,580	14,830
Interest and penalties		39,700	39,700	45,071	5,371
Miscellaneous		165,000	 273,000	870,145	 597,145
Total revenues		7,645,720	7,689,208	8,311,216	622,008
Expenditures					
Current					
Legislative					
Council		8,190	8,190	5,276	2,914
Judicial					
District court		540,093	540,093	517,840	22,253
General government					
Manager		149,450	149,450	147,454	1,996
Elections		42,070	42,070	47,195	(5,125)
Finance		330,725	338,725	315,944	22,781
Legal		52,000	52,000	53,922	(1,922)
Clerk/Treasurer		179,919	179,919	177,744	2,175
City hall		82,800	82,800	110,700	(27,900)
Planning		26,708	26,708	34,199	(7,491)
Inspection		144,537	152,537	146,308	6,229
Insurance		450,000	450,000	476,583	(26,583)
Community promotion		10,200	 10,200	 17,580	 (7,380)
Total general government		1,468,409	1,484,409	1,527,629	(43,220)
Public safety					
Administration		146,906	146,906	147,234	(328)
Service aides		277,548	302,548	275,517	27,031
Operations		2,704,900	2,704,900	2,566,768	138,132
Pension administration	<del></del>	371,558	 371,558	 360,711	 10,847
Total public safety		3,500,912	3,525,912	3,350,230	175,682
Public works					
Operations		163,235	163,235	176,697	(13,462)
Garage		77,287	77,287	90,247	(12,960)
Street programs	<del></del>	127,000	127,000	 132,055	 (5,055)
Total public works		367,522	 367,522	 398,999	 (31,477)
Total this page		5,885,126	5,926,126	5,799,974	126,152

See accompanying notes to financial statements

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2004

-			Original Budget		Final Budget		Actual		Positive (Negative) ariances with Final Budget
	Total from previous page	\$	5,885,126	\$	5,926,126	\$	5,799,974	\$	126,152
	Health and welfare								
	Community development		37,585		37,585		45,040		(7,455)
-	Recreation and culture								
	Recreation		414,154		414,154		382,895		21.050
	Library		500,676		500,676		482,195		31,259 18,481
	WBRK		82,948		82,948		69,486		13,462
	Total recreation and culture		997,778		997,778		934,576		63,202
	Miscellaneous								
-	Contingency		654,230		508,668		-		508,668
	Debt service								
	Principal retirement		27,503		27,503		25 500		
	Interest and other charges		50,898		50,898		27,503 38,450		12 449
	Total debt service		78,401		78,401		65,953		12,448
			•		10,101		00,733		12,440
	Capital outlay		263,200		411,250		423,375		(12,125)
	Total expenditures		7,916,320		7,959,808		7,268,918	-	690,890
_	Excess (Deficiency) of Revenues								
	Over (Under) Expenditures		(270,600)		(270,600)		1,042,298		1,312,898
	Other Financing Sources (Uses)								
_	Operating transfers - in		136,500		136,500		27,976		(100 504)
	Operating transfers - out		(105,900)		(105,900)		(484,561)		(108,524) (378,661)
	The total and the original and the second								(870)001)
	Total other financing sources (uses)		22.422						
	sources (uses)		30,600		30,600		(456,585)		(487,185)
	Excess (Deficiency) of Revenues Over (Under) Expenditures and								
	Other Financing Sources (Uses)		(240,000)		(240,000)		585,713		825,713
	Reappropriation	<del></del>	240,000		240,000				(240,000)
_	Total		-		-		585,713		585,713
	Fund Balance - July 1, 2003		682,116		682,116		682,116		-
	Fund Balance - June 30, 2004	¢	682,116	•		•			
-	, .,	4	002,110	<del>D</del>	682,116	<u>&gt;</u>	1,267,829	\$	585,713

See accompanying notes to financial statements

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - MAJOR STREET FUND FOR THE YEAR ENDED JUNE 30, 2004

	Origi Budg		Final Budget		Actual	Va	Positive Negative) riances with nal Budget
Revenues							
Charges for services Intergovernmental	\$	13,300 \$	13,300	\$	15,673	\$	2,373
State grants		606,000	(0/ 000				
Investment earnings		14,000	606,000 8,500		701,045		95,045
Miscellaneous		-	-		10,462 886		1,962 886
Total revenues		633,300	627,800		728,066		100,266
Expenditures							
Current							
Public works Street programs							
Capital outlay		407,177	407,177		381,126		26,051
Miscellaneous		2,500	2,500		-		2,500
Contingency	1	006,623	1,001,123		-		1,001,123
Total expenditures	1	416,300	1,410,800		381,126		1,029,674
Excess (Deficiency) of Revenues							
Over (Under) Expenditures	,	782 000)	(500,000)				
or control of the con	(	783,000)	(783,000)		346,940		1,129,940
Other Financing Sources (Uses)							
Operating transfers - out	(	146,000)	(146,000)		(163,641)		(17,641)
Excess (Deficiency) of Revenues							
Over (Under) Expenditures and							
Other Financing Sources (Uses)	(9	929,000)	(929,000)		183,299		1,112,299
Reappropriation	9	229,000	929,000				(000,000)
Total		<del></del>	327,000				(929,000)
rota		-	-		183,299		183,299
und Balance - July 1, 2003	9	47,821	947,821		947,821		_
				<del></del>			
und Balance - June 30, 2004	\$ 9	47,821 \$	947,821	\$	1,131,120	\$	183,299

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - LOCAL STREET FUND FOR THE YEAR ENDED JUNE 30, 2004

_			·	Final Budget		Actual		Positive (Negative) Variances with Final Budget	
Re	evenues								
	Charges for services	\$	5,000	\$	5,000	\$		\$	(5,000)
	Intergovernmental				-,,,,,	•	-	Ψ	(3,000)
	State grants Investment earnings		227,900		227,900		248,344		20,444
	nivestifient earnings	<del></del>	11,000		7,000		7,980		980
-	Total revenues		243,900		239,900		256,324		16,424
Ex	penditures								
_	Current								
	Public works Street programs								
	Miscellaneous		353,802		353,802		339,692		14,110
	Contingency	·	760,098		756,098		-		756,098
	Total expenditures		1,113,900		1,109,900		339,692		
							557,672		770,208
Exc	cess (Deficiency) of Revenues								
	Over (Under) Expenditures		(870,000)		(870,000)		(92.2(0)		
			(5. 5,555)		(070,000)		(83,368)		786,632
— Otl	ner Financing Sources (Uses)								
	Operating transfers - in		146,000		146,000		1/2/41		
					140,000		163,641		17,641
Exc	ess (Deficiency) of Revenues								
	Over (Under) Expenditures and								
•	Other Financing Sources (Uses)		(724,000)		(724,000)		80,273		804,273
_					, ,		30,273		004,273
Rea	ppropriation		724,000		724.000				
			724,000		724,000		-		(724,000)
<b></b>	Total		-		-		80,273		80,273
									,
Fun	d Balance - July 1, 2003		752,391		752,391		750 201		
_					,02,071		752,391		-
Fun	d Balance - June 30, 2004	<b>C</b>	<b>750</b> 00 -						
	James Co, 2007	<b>3</b>	752,391	\$	752,391	\$	832,664	\$	80,273

See accompanying notes to financial statements

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SOLID WASTE SERVICE FUND FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Positive (Negative) Variances with Final Budget		
Revenues						
Property taxes	\$ 864,300	\$ 864,300	\$ 856,456	\$ (7,844)		
Charges for services	201,700	201,700	174,790	(26,910)		
Investment earnings	8,000	4,500	4,496	(4)		
Miscellaneous	500	500	1,658	1,158		
Total revenues	1,074,500	1,071,000	1,037,400	(33,600)		
Expenditures						
Current						
Public works						
Solid waste services	1,115,245	1,120,245	1,089,119	31,126		
Miscellaneous				,		
Contingency	141,255	132,755	-	132,755		
Total expenditures	1,256,500	1,253,000	1,089,119	163,881		
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	(182,000)	(182,000)	(51,719)	130,281		
Reappropriation	182,000	182,000		(182,000)		
Total	-	-	(51,719)	(51,719)		
Fund Balance - July 1, 2003	182,314	182,314	182,314			
Fund Balance - June 30, 2004	\$ 182,314	\$ 182,314	\$ 130,595	\$ (51,719)		

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - 45-A DISTRICT COURT FOR THE YEAR ENDED JUNE 30, 2004

	 Original Budget	-	Final Budget	 Actual	Positive (Negative) Variances with Final Budget		
Revenues							
Charges for services	\$ 540,093	\$	540,093	\$ 517,840	\$	(22,253)	
Expenditures							
Current							
Court	532,093		532,093	501,907		30,186	
Debt service	3,000		3,000	2,696		30,186	
Capital outlay	 5,000		5,000	9,937		(4,937)	
				 7,707		(4,737)	
Total expenditures	 540,093		540,093	 514,540		25,553	
Excess of Revenues Over							
Expenditures	-		-	3,300		3,300	
Other Financing Sources (Uses)							
Operating transfers - out	 •			 (3,300)		(3,300)	
Excess of Revenues Over							
Expenditures and Other							
Financing Sources (Uses)	-		-	-		-	
Fund Balance - July 1, 2003	 <u>-</u>			<del>.</del>		_	
Fund Balance - June 30, 2004	\$ 	\$		\$ 	\$	_	

#### COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2004

#### ASSETS

					Nonmajo	Special Re	venue Funds	<u> </u>		Nonmajor Debt Service Funds						Nonmajor Capital Projects Funds				
	Deve	munity dopment k Grant	t For	Orug feiture und	Recreation Revolving Fund	Seniors' Program Fund	Loss Reserve Fund	Downtown Development Authority	DDA-Tax Increment Financing	2002 Streetscape Improvements	1972 General Pollution Control Bonds	1993 General Obligation Refunding Bonds	1996 General Obligation Library Bonds	George Kuhn Drainage Bonds	Building Authority Fund	12 Mile & Coolidge Fund	Public Improvement Fund	Library Project Fund	Sidewalk Program	Total Nonmajor Governmental Funds
Cash and investments Due from other funds Prepaid items	\$	6,301 - -	\$	29,360	\$ 261,609 - 3,947	\$148,915	\$ 42,407 - -	\$ 196,541	\$ 82,041	\$ - - -	\$ - - -	\$ 5,062 - -	\$ 51,702 - -	\$ - - -	\$ - 505,079	\$ 164,113 - -	\$ - -	\$ - - -	\$ - -	\$ 988,051 505,079 3,947
Total assets	\$	6,301	<u>\$</u>	29,360	\$ 265,556	\$148,915	\$ 42,407	\$ 196,541	\$ 82,041	<u> </u>	<u>s -</u>	\$ 5,062	\$ 51,702	\$ -	\$ 505,079	\$ 164,113	ş -	<b>s</b> .	\$ -	\$ 1,497,077
									LIA	BILITIES AND FL	IND BALANCE	:								
Liabilities Accounts payable Accrued liabilities Total liabilities  Fund Balance Reserved for inventory	\$	5,998 303 6,301	\$	209	\$ 14,773 2,473 17,246	\$ 1,894 478 2,372	\$ - - -	\$ 120 - 120	\$ - - -	\$ - -	\$ - - -	\$ 337	\$ - -	\$ -	\$ -	\$ 6,410 69,218 75,628	\$ - -	\$ -	\$ - -	\$ 29,741 72,472 102,213
and prepaid items Unreserved		-		•	3,947		-	-	-	-	-	-	-	•	-	-	-	-	_	3,947
Designated for capital projects Designated for debt service Undesignated		- - -		- - 19,151	- - 244,363	146,543	42,407	196,421	82,041	<u>.</u>	- - -	- 4,725 -	51,702	- -	- 505,079 -	88,485 - -	• -	-		88,485 561,506 740,926
Total fund balance			2	9,151	248,310	146,543	42,407	196,421	82,041			4,725	51,702		505,079	88,485	-			1,394,864
Total liabilities and fund balance	\$	6,301	<u>\$</u> 2	9,360	\$ 265,556	\$148,915	\$ 42,407	\$ 196,541	\$ 82,041	<u>\$</u>	<u>s - </u>	\$ 5,062	\$ 51,702	\$	\$ 505,079	\$ 164,113	<u>s</u> -	<u>s -</u>	<u>\$ -</u>	\$ 1,497,077

See accompanying notes to financial statements

# COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2004

Part			<b>!</b>							1977 Canami	Nonmajor Debt Service Funds	ervice Funds			Non	Nonmajor Capital Projects Funds	rojects Fund	<u> </u>	
\$\$\text{\$\		Community Development Block Grant		Recreation Revolving Fund	Seniors' Program Fund	Loss Reserve Fund	Downtown Development Authority	DDA-Tax Increment Financing	2002 Streetscape Improvements	Pollution Control Bonds	Obligation Refunding Bonds	1996 General Obligation Library Bonds	George Kuhn Drainage Bonds		12 Mile & Coolidge Fund	Public Improvement	Library	Sidewalk	Total Nonmajor Governmental
No. 17, 20, 20, 20, 20, 20, 20, 20, 20, 20, 20	levenues																Dina	rogram	Funds
18.577 3150 2012 1 1050	Property taxes	s	,				40,121		1	y.	010 010								
8.8.7/7 3.99/1 1.20-2	Intercontamental	. :		283,878	48,594		٠	. •		,	000/210				<del>s</del>	•	· s	, 95	\$ 811,795
1,15,16   1,15,16   1,15,17   1,15	Investment coming	38,397	3,891	•	•			1		٠			•		,	•			332,472
1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,	Miscollandana		•	1,950	202	1,781	1,861	842	,	439	ຸ ຄ	, ;				1			42,288
11 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	STORE BELLEVIEW		28,076	103,807	171,173	3,300	906'9	٠		<b>,</b>	<b>7</b> c ,	135		•	2,046	1	178		9,481
Harry Hall Shift S	Total revenues	38,397	31,967	389,635	219,974	5,081	48,282	98,057		429	219.082	255 550					1	1	312,656
The control of the co	rpenditures									ì	700/10	900'000	<b>d</b> i		2,046	i	178		1,508,692
11   12   12   12   13   13   13   13	Current																		
1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	General government			•	,	205 230													
Harges Ha	Public safety	•	2,057		,	605,000		400	•	•	·		•				,		7, 300
Harpers	Recreation and culture	1		180,406	73,131			ı	,	•	•		•		•	,			2007
Harges 779 Harges 14200 Harges 14200 Harges 153,71 Harges 153,11 Harges	Health and welfare	44,210	•		. •		8.814	. ,		ı		•	•		•	1	1		253.537
1,10,000   1,10,000	Debt service								•	•	·				,	,	1		53,024
Thirties	Interest and other charges					•	•		10,000	•	300,000	300,000	704 25	30,000					
Harding   Cabical   Cabi	Capital outlay		, <u>1</u> 2	•			•	٠	65,520	•	24,285	59.025	153 972	22.042		•	į		697,626
Hurse H210 22415 180406 77,131 285,539 6,844 600 75,520 429 53040 511,588 5304 131,460 75,520					İ	j		j							131,460	. ,	, 65	242	325,845
Cartier   Cart	Total expenditures	44,210	2,816	180,406	73,131	285,339	8,814	400	75,520	•	324.285	350,035	201 500		 				
Columbia   Columbia	ess (Deficiency) of Revenues											Captago	411,296	33,043	131,460		529	242	1,750,818
### 4,767	Over (Under) Expenditures	(5,813)	29,151	209,229		(280,258)	39,468	97,657	(75,520)	429	(5,203)	(3.461)	(211 598)	(53 (43)	919 000		ļ		
4,767 (28,576) (300) 143,600 (75,520) (75,520) (76,640) (75,520) (76,640) (75,520) (76,640) (75,520) (76,640) (75,520) (76,640) (	ner Financing Sources (Uses)											Ì	(accessed)	(ctoroc)	(129,414)		(351)	(242)	(242,126)
roting 4,767 (28,576) (300) 143,600 (75,520) (76,640) (76,640) (76,640) (76,640) (76,640) (76,640) (76,640) (76,211) (5,201) (11,598 49,621 (129,414) (24,237) (24,23	Operating transfers - in Operating transfers - out	4,767				143,600	•		75,520			47 737	311 500	Ş					
ce) 4.767 (26.576) (300) 143.600 (75,520) 75,520 (76,640) 47,777 (211,596 49,621 (123,414) (24.237) (2				(28,576)	(gg)			(75,520)	,	(76,640)			277	170'6*	1		. !		532,843
es) 4,767 (28,576) (300) 143,600 (75,520) 75,520 (76,640) (76,520) 75,520 (76,640) (76,211) (5,203) 44,276 (1,588) 49,621 (1,29,414) (1,24,589) (24.589) (24	Total other financing																(4,237)	i	(205,27)
utes  (1.046) 29,151 180,653 146,543 (136,658) 39,468 22,137 (76,211) (5,203) 44,276 (3,422) (129,414) (24,589) (342)  1.046 67,657 179,065 156,953 59,904 76,211 9928 7,426 508,501 217,899 24,588 242 1,55 5 29,151 \$ 248,310 \$ 146,543 \$ 42,407 \$ 196,421 \$ 82,041 \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	somos (nees)	4,767		(28,576)	,	143,600		(75,520)	75,520	(76,640)		47.737	211.598	40.621					
(1,1046) 29,151 180,653 146,543 (136,658) 39,468 22,137 (76,211) (5,203) 44,276 (3,422) (129,414) (24,589) (342) (129,414) (24,589) (342) (129,414) (24,589) (342) (129,414) (24,589) (342) (3,429) (3	ess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources															1	(44,237)	1	327,570
1,046 67,657 179,065 156,953 59,904 76,211 9,928 7,426 506,501 217,899 242 15, 201,11 \$ 2,00,101 \$ 1,06,543 \$ 42,407 \$ 196,421 \$ 82,041 \$ \$ \$ 4,725 \$ 51,702 \$ \$ 5,905,79 \$ 88,485 \$ \$ \$ 5,05,779	(Uses)	(1,046)	29,151			(136,658)	39,468	22,137	•	(76,211)	(5,203)	44.276		(3.433)	357 96.5				
\$ 29,151 \$ 249,310 \$146,543 \$ 42,407 \$ 196,421 \$ 82,041 \$ \$ 5 4,725 \$ 51,702 \$ \$ 505,079 \$ 89,485 \$ \$ \$ \$ \$ \$	d Balance - July 1, 2003	1,046		67,657	- 1	179,065	156,953	59,904	*	76,211	9.928	7.4%			(*12/21)		(24,588)	(242)	85,444
3 4775 \$ 51,702 \$ 8 86,605 \$ 82,004 \$ 5 4,725 \$ 51,702 \$ 8 86,607 \$ 88,465 \$ 5 5	d Balance - June 30, 2004		29.151	018 310	146 543				!   					100,000	717,899		24,588	242	1,309,420
					ell.		139,421			\$	4,725	51,702			88,485	, l			1,394,864

See accompanying notes to financial statements

#### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -COMMUNITY DEVELOPMENT BLOCK GRANT FOR THE YEAR ENDED JUNE 30, 2004

			Final Budget		Actual	(N Vari	Positive Jegative) ances with al Budget
\$		\$	77,000	\$	38,397	\$	(38,603)
	200		200		_		(200)
	77,200		77,200		38,397		(38,803)
	77,189		<i>7</i> 7,189		44,210		32,979
	11		11		-		11
	77,200		77,200		44,210		32,990
	-		-		(5,813)		(5,813)
	-		-		4,767		4,767
	-		-		(1,046)		(1,046)
·	1,046		1,046		1,046		_
		77,200  77,189  11  77,200	\$ 77,000 \$ 200 77,200 \$ 11 77,200	Budget     Budget       \$ 77,000	\$ 77,000 \$ 77,000 \$ 200 77,200 77,200 77,200 77,200 77,200	Budget     Budget     Actual       \$ 77,000 \$ 77,000 \$ 38,397       200 200 -     -       77,200 77,200 38,397       77,189 77,189 44,210       11 11 11 -       77,200 77,200 44,210       (5,813)       4,767	Original Budget         Final Budget         Actual         (Actual Final Final Final Budget)           \$ 77,000         \$ 77,000         \$ 38,397         \$ 77,200           77,200         77,200         38,397           77,189         77,189         44,210           11         11         -           77,200         77,200         44,210           -         -         (5,813)

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DRUG FORFEITURE FUND FOR THE YEAR ENDED JUNE 30, 2004

	riginal udget	Final udget	 Actual	() Var	Positive Negative) iances with nal Budget
Revenues					
Intergovernmental					
Federal grant	\$ -	\$ _	\$ 3,891	\$	3,891
Miscellaneous	 -	 	 28,076		28,076
Total revenues	-	-	31,967		31,967
Expenditures					
Current					
Public safety	-	-	2,057		(2,057)
Capital outlay	 -	 <del></del>	 759		(759)
Total expenditures	 -	-	 2,816		(2,816)
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	-	-	29,151		29,151
Fund Balance - July 1, 2003	 	 -	-		<del>-</del>
Fund Balance - June 30, 2004	\$ -	\$ 	\$ 29,151	\$	29,151

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - RECREATION REVOLVING FUND FOR THE YEAR ENDED JUNE 30, 2004

_	Original Budget	Final Budget	Actual	Positive (Negative) Variances with Final Budget
Revenues  Charges for services Investment earnings Miscellaneous	\$ 272,75 2,00	2,000	\$ 283,878 1,950 103,807	\$ 11,128 (50) 103,807
Total revenues	274,75	274,750	389,635	114,885
Expenditures  Current  Recreation and culture  Recreation	222.75			
Miscellaneous	208,65		180,406	28,244
Contingency	22,80	0 22,800		22,800
Total expenditures	231,45	231,450	180,406	51,044
Excess (Deficiency) of Revenues Over (Under) Expenditures	43,300	3,300	209,229	165,929
Other Financing Sources (Uses) Operating transfers - out	(46,100	(46,100)	(28,576)	17,524
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	(2,800	) (2,800)	180,653	183,453
Reappropriation	2,800	2,800	_	(2,800)
Total	-	-	180,653	180,653
Fund Balance - July 1, 2003	67,657	67,657	67,657	
Fund Balance - June 30, 2004	\$ 67,657	\$ 67,657	\$ 248,310	\$ 180,653

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SENIORS' PROGRAM FUND FOR THE YEAR ENDED JUNE 30, 2004

		Original Budget		Final Budget		Actual	(N Vari	ositive egative) ances with al Budget
Revenues								
Charges for services	\$	69,600	\$	69,600	\$	48,594	\$	(21.007)
Investment earnings		-		-	Ψ	207	Þ	(21,006) 207
Miscellaneous		-				171,173		171,173
Total revenues		69,600		69,600		219,974		150,374
Expenditures								
Current								
Recreation and culture								
Recreation		98,200		98,200		73,131		25,069
				_				······································
Excess (Deficiency) of Revenues								
Over (Under) Expenditures		(28,600)		(28,600)		146,843		175,443
Other Financing Sources (Uses)								
Operating transfers - in		28,900		28,900				
Operating transfers - out		(300)		(300)		(300)		(28,900)
Total other financing			-					
sources (uses)		28,600		28,600		(000)		
				20,000		(300)		(28,900)
excess (Deficiency) of Revenues								
Over (Under) Expenditures and								
Other Financing Sources (Uses)		•		_		146,543		144 845
						140,343		146,543
und Balance - July 1, 2003		•				<u> </u>		
und Balance - June 30, 2004	¢							

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - LOSS RESERVE FUND FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Positive (Negative) Variances with Final Budget
Revenues Investment earnings Miscellaneous	\$ - -	\$ - 	\$ 1,781 3,300	\$ 1,781 3,300
Total revenues	<del>-</del>	-	5,081	5,081
Expenditures  Current  General government  Insurance				
Excess (Deficiency) of Revenues Over (Under) Expenditures		-	285,339	(285,339)
Other Financing Sources (Uses) Operating transfers - in		-	143,600	143,600
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	(136,658)	(136,658)
Fund Balance - July 1, 2003	179,065	179,065	179,065	
Fund Balance - June 30, 2004	\$ 179,065	\$ 179,065	\$ 42,407	\$ (136,658)

#### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -DOWNTOWN DEVELOPMENT AUTHORITY FOR THE YEAR ENDED JUNE 30, 2004

_			Original Budget	 Final Budget	-	Actual	Va	Positive (Negative) riances with nal Budget
	Revenues Property taxes Investment earnings Miscellaneous Total revenues	\$	40,100 2,000	\$ 40,100 2,000 	\$	40,121 1,861 6,300	\$	21 (139) 6,300
-	Expenditures  Current		42,100	42,100		48,282		6,182
<b>,</b>	Health and welfare Community development Miscellaneous Contingency		67,100 117,000	67,100 117,000		8,814		58,286
-	Total expenditures	-	184,100	 184,100		8,814		117,000 175,286
-	Excess (Deficiency) of Revenues Over (Under) Expenditures		(142,000)	(142,000)		39,468		181,468
	Reappropriation  Total		142,000	 142,000		39,468		(142,000)
_	Fund Balance - July 1, 2003		156,953	 156,953		156,953		•
-	Fund Balance - June 30, 2004	\$	156,953	\$ 156,953	\$	196,421	\$	39,468

#### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DDA-TAX INCREMENT FINANCING FOR THE YEAR ENDED JUNE 30, 2004

		riginal Judget	<del></del>	Final Budget		Actual	(I Var	Positive Negative) iances with ial Budget
Revenues								
Property taxes Investment earnings	\$	94,800 2,000	\$	94,800 2,000	\$	97,215 842	\$	2,415 (1,158)
Total revenues		96,800		96,800		98,057		1,257
Expenditures Current								
General government Miscellaneous		20,000		20,000		400		19,600
Contingency		40,280		40,280				40,280
Total expenditures	<del>- , - , - , - , - , - , - , - , - , - ,</del>	60,280		60,280		400		59,880
Excess (Deficiency) of Revenues Over (Under) Expenditures		36,520		36,520		97,657		61,137
Other Financing Sources (Uses) Operating transfers - out		(75,520)		(75,520)		(75,520)		<del>-</del>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)		(39,000)		(39,000)		22,137		61,137
Reappropriation		39,000		39,000				(39,000)
Total		-		-		22,137		22,137
Fund Balance - July 1, 2003		59,904		59,904		59,904		_
Fund Balance - June 30, 2004	\$	59,904	S	59,904	<u> </u>	82,041 \$		22,137

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - 2002 STREETSCAPE IMPROVEMENTS FOR THE YEAR ENDED JUNE 30, 2004

	 Original Budget		Final Budget		Actual		ositive egative) nces with I Budget
Revenues Property taxes Investment earnings	\$ - -	\$		\$	-	\$	-
Total revenues	_		-				<u> </u>
Expenditures  Debt service  Principal retirement	40.000						
Interest and other charges	 10,000 65,520		10,000 65,520		10,000 65,520		-
Total expenditures	 75,520		75,520		75,520		
Excess (Deficiency) of Revenues Over (Under) Expenditures	(75,520)		(75,520)		(75,520)		-
Other Financing Sources (Uses) Operating transfers - in	 75,520		75,520		75,520		
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	-		-		-		-
Fund Balance - July 1, 2003	 -				-		
Fund Balance - June 30, 2004	\$ 	\$	-	\$	<u>-</u>	\$	

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - 1972 GENERAL POLLUTION CONTROL BONDS FOR THE YEAR ENDED JUNE 30, 2004

<i></i>			Original Budget	Final Budget	Act	ual	Va	Positive Negative) riances with nal Budget
<b>,110</b>	Revenues Investment earnings	\$	-	\$ _	\$	429	\$	
***	Expenditures Contingency		<u>.</u>			429	<b>Þ</b>	429
	Excess (Deficiency) of Revenues Over (Under) Expenditures		-	-		429		429
***	Other Financing Sources (Uses) Operating transfers - out		· ·	 -		(76,640)		(76,640)
_	Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)							
_	Same Lambering Sources (Oses)		-	-		(76,211)		(76,211)
	Fund Balance - July 1, 2003		76,211	 76,211		76,211		-
-	Fund Balance - June 30, 2004	<u>\$</u>	76,211	\$ 76,211	\$	-	\$	(76,211)

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - 1993 GENERAL OBLIGATION REFUNDING BONDS FOR THE YEAR ENDED JUNE 30, 2004

		Original Budget	 Final Budget	 Actual	(N Vari	Positive Negative) ances with al Budget
Revenues Property taxes Investment earnings	\$	322,000 350	\$ 322,000 350	\$ 319,030 52	\$	(2,970) (298)
Total revenues		322,350	322,350	319,082		(3,268)
Expenditures  Debt service  Principal retirement  Interest and other charges  Miscellaneous  Contingency	<del></del>	300,000 24,500 10,050	 300,000 24,500 10,050	 300,000 24,285		- 215 10,050
Total expenditures		334,550	 334,550	 324,285		10,265
Excess (Deficiency) of Revenues Over (Under) Expenditures		(12,200)	(12,200)	(5,203)		6,997
Reappropriation  Total		12,200	 12,200	 _		(12,200)
Total		-	•	(5,203)		(5,203)
Fund Balance - July 1, 2003		9,928	 9,928	 9,928		
Fund Balance - June 30, 2004	\$	9,928	\$ 9,928	\$ 4,725	\$	(5,203)

#### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - 1996 GENERAL OBLIGATION LIBRARY BONDS FOR THE YEAR ENDED JUNE 30, 2004

		Original Budget		Final Budget		Actual		Positive (Negative) Variances with Final Budget
Revenues Property taxes								
Investment earnings	\$	358,700 400	\$	358,700 400	\$	355,429 135	\$	(3,271) (265)
Total revenues		359,100		359,100		355,564		(3,536)
Expenditures								
Debt service Principal retirement Interest and other charges Miscellaneous		300,000 58,900		300,000 58,900		300,000 59,025		- (125)
Contingency		9,750		9,750		<u>.</u>		9 <i>,7</i> 50
Total expenditures	·	368,650		368,650		359,025		9,625
Excess (Deficiency) of Revenues Over (Under) Expenditures		(9,550)		(9,550)		(3,461)		6,089
Other Financing Sources (Uses) Operating transfers - in				<del></del>		47,737		47,737
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)		(9,550)		(9,550)		<del>44</del> ,276		E2 02/
Reappropriation		9,550				<b>,_</b> -		53,826
Total		9,330		9,550		<del>-</del>		(9,550)
		-		-		44,276		44,276
und Balance - July 1, 2003		7,426		7,426		7,426		
und Balance - June 30, 2004	\$	<u>7,426</u> \$	·	7,426	5	51,702	±	44,276

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GEORGE KUHN DRAINAGE BONDS FOR THE YEAR ENDED JUNE 30, 2004

_			Original Budget	Final udget	Actual	Positive (Negative) Variances with Final Budget
1874	Revenues Property taxes Investment earnings Total revenues	\$	-	\$ - - -	\$ <u>-</u>	\$
_	Expenditures  Debt service  Principal retirement  Interest and other charges  Total expenditures		<u>-</u>		57,626 153,972 211,598	(57,626) (153,972) (211,598)
-	Excess (Deficiency) of Revenues Over (Under) Expenditures		-	-	(211,598)	(211,598)
-	Other Financing Sources (Uses) Operating transfers - in		<u>-</u>	 <del></del>	211,598	211,598
-	Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)		-	-	-	-
	Fund Balance - July 1, 2003		-	<u>-</u>		<u>.</u>
	Fund Balance - June 30, 2004	<u>\$</u>	<u>.</u>	\$ -	\$	\$

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUILDING AUTHORITY FUND FOR THE YEAR ENDED JUNE 30, 2004

	ginal dget	 Final Budget	 Actual	Va	Positive (Negative) riances with inal Budget
Revenues					
Charges for services	\$ -	\$ -	\$ -	\$	-
Expenditures					
Debt service					
Principal retirement	_	30,000			
Interest and other charges	-	22,000	30,000		-
Total 15	 	 22,000	 23,043		(1,043)
Total expenditures		 52,000	53,043		(1,043)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(52,000)	(53,043)		(1,043)
Other Financing Sources (Uses) Operating transfers - in	 <u>-</u>	 52,000	49,621		(2,379)
Excess (Deficiency) of Revenues Over (Under) Expenditures and					
Other Financing Sources (Uses)	-	-	(3,422)		(3,422)
Fund Balance - July 1, 2003	508,501	508,501	508,501		
Fund Balance - June 30, 2004	\$ 508,501	\$ 508,501	\$ 505,079	\$	(3,422)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - 12 MILE & COOLIDGE FUND FOR THE YEAR ENDED JUNE 30, 2004

_		Original Budget	 Final Budget	 Actual		Positive (Negative) Variances with Final Budget
_	Revenues Investment earnings	\$	\$ -	\$ 2,046	\$	2,046
	Expenditures Capital outlay	 <del></del>		131,460	-	(131,460)
_	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(129,414)		(129,414)
-	Fund Balance - July 1, 2003	 217,899	 217,899	 217,899		
	Fund Balance - June 30, 2004	\$ 217,899	\$ 217,899	\$ 88,485	\$	(129,414)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - PUBLIC IMPROVEMENT FUND FOR THE YEAR ENDED JUNE 30, 2004

_		Original Budget	 Final Budget	-	Actual	V	Positive (Negative) ariances with Final Budget
	Revenues Property and equipment rental	\$ 10,000	\$ 10,000	\$	-	\$	(10,000)
_	Expenditures Current						
	General government Miscellaneous	3,300	3,300		-		3,300
_	Contingency	 6,700	 6,700				6,700
	Total expenditures	 10,000	 10,000		-		10,000
-	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-		-		-
-	Fund Balance - July 1, 2003	 -	 <u>-</u>		_		<u>-</u>
-	Fund Balance - June 30, 2004	\$ <del>-</del>	\$ <del></del>	\$		\$	<u>-</u>

# STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - LIBRARY PROJECT FUND FOR THE YEAR ENDED JUNE 30, 2004

_			riginal udget		Final Budget	•	Actual	Positive (Negative) Variances with Final Budget
_	Revenues Investment earnings	\$	-	\$	-	\$	178	\$ 178
_	Expenditures Capital outlay						529	 (529)
_	Excess (Deficiency) of Revenues Over (Under) Expenditures		-		-		(351)	(351)
	Other Financing Sources (Uses) Operating transfers - out	-		•	-		(24,237)	(24,237)
,	Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)				_		/24 E9P)	
_	Fund Balance - July 1, 2003		24,588		24,588		(24,588)	 (24,588)
هم	Fund Balance - June 30, 2004	\$	24,588	\$	24,588	\$	<del>-</del>	\$ (24,588)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SIDEWALK PROGRAM FOR THE YEAR ENDED JUNE 30, 2004

		riginal udget	·	Final Budget	 Actual	V 1	Positive (Negative) ariances with Final Budget
Revenues Charges for services Investment earnings	\$	-	\$	- -	\$ -	\$	-
Total revenues	· · · · · ·	<u>-</u>		<u>-</u>	-		-
Expenditures Capital outlay		<u>-</u>		<u> </u>	 242		(242)
Excess (Deficiency) of Revenues Over (Under) Expenditures		-		-	(242)		(242)
Fund Balance - July 1, 2003		242		242	 242		_
Fund Balance - June 30, 2004	\$	242	\$	242	\$ _	\$	(242)



#### REPORT ON COMPLIANCE AND ON INTERNAL CONTROL

**JUNE 30, 2004** 



To the Honorable Mayor and Members of the City Council of the **City of Berkley, Michigan** 

We have audited the financial statements of the City of Berkley, Michigan as of June 30, 2004, and for the year then ended, and have issued our report thereon dated November 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the City of Berkley, Michigan's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Berkley, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

#### **DOEREN MAYHEW**

This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DOEREN MAYHEW

Joeren Maylum

November 10, 2004 Troy, Michigan



# COMMENTS AND RECOMMENDATIONS MEMORANDUM

JUNE 30, 2004



November 10, 2004

- To the Honorable Mayor and
  City Council Members
  City of Berkley, Michigan
  3338 Coolidge
  Berkley, Michigan 48072
  - To the Honorable Mayor and City Council Members:
- We have recently completed an audit of the general purpose financial statements of the City of Berkley, Michigan for the year ended June 30, 2004. Our audit was made primarily for the purpose of expressing our opinion on these statements and, accordingly, did not encompass a detailed review of systems, procedures and internal controls. However, during our audit, we observed certain accounting areas where we believe improvements can be effected, and we offer the enclosed comments and recommendations memorandum for your review.
- The accompanying memorandum is not based upon a complete survey of all phases of operating and executive controls. We appreciate that the ultimate objective of management is to achieve maximum control at a minimum cost. We believe that consideration of the recommendations enumerated in this memorandum are compatible with that objective.
- After you have reviewed our recommendations, we will be pleased to discuss the contents with you and to assist in the implementation of any items set forth herein.

DOEREN MAYHEW

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#### **CURRENT YEAR RECOMMENDATIONS**

#### **Compensated Absences**

During the course of our analysis of the year-end compensated absences accrual, it came to our attention that there is an inconsistency between the policy practiced by the Personnel Department and the policy adopted by the City. Specifically, employees have been allowed to accrue additional annual leave hours than those provided for within employment contracts. Management has discontinued the policy of accruing annual leave hours in excess of contract specifications, although the City plans on honoring all past accrued annual leave hours. Policies and procedures should be formally adopted by the City so that future conflicts do not occur. We recommend that management resolve this inconsistency so the final policy can be adopted once and for all.